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U.S., Japan Settle Major Trade Issue, Will Expand Talks

By Stuart Auerbach
Washington Post Service

WASHINGTON — The United States and Japan have settled the last of four contentious trade issues and have agreed to expand negotiations to additional industries in an effort to ease trade frictions.

Foreign Minister Shintaro Abe presented a new offer here that allowed the last-minute settlement Friday of a dispute over Japan's high tariffs on forest products, an area where agreement had been blocked by the politically powerful Japanese lumber industry.

The Abe offer called for immediate cuts in tariffs on some wood products such as fiber board, and other cuts on items such as plywood and veneers that would take effect in April 1987. "It was a surprise to all," a State Department negotiator said.

In a meeting with Mr. Abe that ended a year of intensified trade talks, Secretary of State George P. Shultz said "a great deal has been accomplished" in ending Japanese barriers to sales of American manufactured products. He cited "very substantial purchases" by Japan as evidence of the success.

Mr. Shultz said U.S. sales to Japan increased 6.7 percent last year in the areas covered by the talks, which included telecommunications, sophisticated electronics and medical equipment and pharmaceuticals, in addition to forest products.

"I think we can say this approach has worked, and we plan to continue it," Mr. Shultz said. He said products for the new talks will be chosen later.

[Six U.S. senators told Prime Minister Yasuhiro Nakasone of Japan on Saturday that a high yen, lowered tariffs and recently announced measures to open Japanese markets would not be enough to remedy the huge U.S. trade deficit with Japan, the Los Angeles Times reported from Tokyo.

[Senator John C. Danforth, a Missouri Republican who is chairman of a subcommittee on international trade, said that the Japanese have a "mind-set" that is opposed to buying anything other than raw materials from overseas. "It's one thing to lower tariffs," he said, "and it's another thing to buy the goods."

[A Foreign Ministry official quoted Mr. Nakasone as telling the senators that he understood the Americans' impatience, but that the problem of a huge trade deficit could not be resolved overnight. "We have made major efforts to solve the trade problem," Mr. Nakasone was quoted as saying.]

The talks that ended Friday were ordered last January by President Ronald Reagan and Prime Minister Nakasone to try to cut Japan's trade surplus with the United States, which last year reached an estimated $50 billion.

"The president and I appreciate the efforts" of Mr. Nakasone and Mr. Abe "in achieving these successes," Mr. Shultz said.

Mr. Abe replied that Japan was "well aware that the situation is very serious in this country, including mounting pressures for protectionism in Congress." Japan, he

(Continued on Page 3, Col. 1)

U.S., Greece Sign Pact on Arms Secrets

New York Times Service

WASHINGTON — The United States and Greece have signed an agreement for protecting military technology that opens the way for the sale of 40 F-16 fighter planes to Greece, a State Department official has announced.

The sale of two squadrons of the advanced planes had been pending for more than a year, the official said Saturday. He said the Reagan administration decided to go ahead with the sale after negotiations over the past several months in which Greece agreed to sign the security accord.

The General Security of Military Information Agreement, which was signed Tuesday, requires that both governments prevent the unauthorized dissemination of military information.

It now has been signed by every NATO nation except Iceland and Turkey, the State Department official noted. He said that talks with Turkey were continuing.

The official said there had been some concern in the U.S. administration, particularly at the Defense Department, over Greece's ability to protect advanced military technology from Soviet agents. Statements made by the government of Prime Minister Andreas Papandreou had heightened that concern.

But the situation began to improve last spring, the official said, after the defection in Athens of Sergei Bokhan, a Soviet Embassy official who was later identified as a member of the GRU, the intelligence branch of the Soviet military.

Mr. Bokhan reportedly identified ways in which the Soviet Union was able to learn American military secrets through contacts in Greece. The United States stockpiles nuclear weapons in Greece and has four military bases there.

In September, the Greek authorities arrested three Greek citizens in Athens on espionage charges. They are now awaiting trial.

The developments opened the way for the conclusion of negotiations on the security agreement and for the sale of the F-16s.

Congress will be notified of the pending sale of the fighters in coming weeks, and no substantial opposition is expected. The agreement on security is an executive accord and does not require congressional action, the official said.

Turkey, which Greece views as its primary threat even though both are members of the North Atlantic Treaty Organization, has an agreement with General Dynamics Corp. for joint production of the F-16.

Physicists Questioning Laser Defense

By Robert Scheer
Los Angeles Times Service

LIVERMORE, California — Laser weapons being developed as part of the Strategic Defense Initiative could more easily be used to incinerate enemy cities than to protect the United States against Soviet missiles, according to a recent article and a separate study.

Many advocates of the space-based missile defense program have expressed the hope that lasers fired down from space stations or shot up from the Earth and reflected off mirrors in space may one day be part of a defensive shield against enemy missiles.

But new analysis suggests that high-intensity laser light from such weapons also could be used offensively to unleash fire storms, possibly producing an environmental disaster similar to a nuclear winter.

The study, which was produced by R & D Associates, a defense research organization based in Los Angeles, cited data indicating that, "in a matter of hours, a laser defense system powerful enough to cope with the ballistic missile threat can also destroy the enemy's

(Continued on Page 5, Col. 5)

Reuters

Youth shows Chester Crocker, left, and Bishop Simeon Nkoane the spot in Duduza township where three people were killed by booby-trapped hand grenades last year. Residents suspect the authorities of handing out the grenades.

Bank Mediator Expects Reform in Pretoria

By Allister Sparks
Washington Post Service

JOHANNESBURG — Fritz Leutwiler, a Swiss banker appointed by South Africa to negotiate a rescheduling of its foreign debt repayments, said here Sunday that President Pieter W. Botha had given him "clear indications" that the government intended to introduce significant political reforms soon.

Mr. Leutwiler, who has held three days of talks with government leaders, said he believed he had been given sufficient assurances of Pretoria's reformist intentions to enable him to persuade the creditor banks to accept a "silent understanding," if not a signed agreement, on an extended repayment of the $24-billion of frozen debts.

[Mr. Leutwiler said that in talks with Mr. Botha the president had "indicated in general terms the policy he wants to pursue," Agence France-Presse reported from Johannesburg. Based on Mr. Botha's recent speeches, it was "a hell of a program," Mr. Leutwiler said.

[Mr. Leutwiler, a former head of Switzerland's central bank, said he wished the world would "take note of the progress, which has accelerated in the past month" in South Africa, although this was "still not enough." He added, "It is clear to everybody that apartheid has to go."]

His impression contrasted sharply with that of a group of six U.S. congressmen, headed by Representative William H. Gray 3d, Democrat of Pennsylvania and chairman of the House Budget Committee, who said at the end of a similar fact-finding tour on Friday that he and his colleagues had found no willingness by the Botha govern-

(Continued on Page 2, Col. 6)

Reagan Outlines His Demands in Libyan Boycott

By Bernard Gwertzman
New York Times Service

WASHINGTON — President Ronald Reagan says that Colonel Moamer Qadhafi will have to end Libya's financial support for terrorist groups and close its training camps for them before the United States will lift the economic sanctions it has imposed.

"He would have to reveal by action that he has severed those connections and is no longer backing these terrorist groups," Mr. Reagan said Friday in an interview with five European journalists. The text of the interview was released Saturday by the White House.

It was the president's first explicit statement on what the Libyan leader would have to do if U.S. sanctions were to end.

He said that concern for Americans living in Libya was a primary factor in his decision to use economic sanctions rather than military force.

"We were a little defenseless with regard to taking actions in response to this terrorism while so many of our citizens were there and potential hostages," he said.

Mr. Reagan has pressured the estimated 1,000 to 1,500 Americans who are still in Libya to return home by making it illegal for U.S. citizens to carry on any financial transactions there.

By taking that step, he said, he was trying to "untie our hands with regard to whatever action might be necessary in the future."

Asked if he meant that the next step would be a military response, he would only say, "I think we should be ready for any contingency."

Mr. Reagan was questioned extensively about the tepid response of U.S. allies to his call that they join in the sanctions to isolate Colonel Qadhafi's government.

The United States contends that Libya provides financial support, a safe haven and training camps to terrorist groups. One of those groups is said to be the Abu Nidal organization, which Washington has accused of carrying out the Rome and Vienna airport attacks on Dec. 27.

Nineteen persons, including five Americans and four gunmen, were killed in the attacks.

Mr. Reagan said he "was not totally surprised" by the reaction of allies to the U.S. sanctions because they carry on far more trade with Libya.

But he said he hoped the allies would recognize "the moral issue involved here with regard to a sovereign state that is so obviously resorting to terrorism literally against the world."

He emphasized that the United States would not make the sanctions a test of solidarity. In previ-

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ON PAGE 5

- A U.S. official said that economic sanctions also could be applied to Syria.
- An Israeli adviser has endorsed assassinations of terrorist leaders.

Qadhafi Rejects Hostility, Invites Reagan to Libya

By Judith Miller
New York Times Service

TRIPOLI, Libya — Colonel Moamer Qadhafi has invited President Ronald Reagan to visit Tripoli to see for himself that he is not a terrorist.

"If Reagan came here, he would change his mind," Colonel Qadhafi said in an interview Saturday with five reporters in his bedouin tent, which is set up inside the heavily fortified Babel-Azziziya military barracks. "He would see that I don't live in trenches and wear hand grenades in my belt and a pistol," he said.

[A senior Libyan official said Sunday the invitation probably was not meant as a serious proposal, United Press International reported from Tripoli. "I don't think it was a serious invitation," he said. "It's a figure of speech. Reagan would find a lot of things if he did come here, but he doesn't dare to."]

Colonel Qadhafi said that he thought Mr. Reagan was "very afraid" of him now, that Americans had tightened security at the Pentagon and at the White House, and even at the border with Canada because Libyans lived there.

"We laugh when we hear all this," he said, "because we have no hostile intentions to do all this danger against him."

His recent threats to send Libyan suicide squads to the United States, he stressed, would be carried out only if Libya was attacked by the United States or by Israel.

The colonel said he was still studying the possibility of freezing American assets in Libya in response to U.S. sanctions against his country, but that no decision had been made. He said that his armed forces were no longer on full alert but that Libya was still prepared to fight if necessary.

An attack on Libya by Israel would be interpreted as an attack by the United States, he said, because "Israel could not reach us without American help."

He denied that he had ever sent assassination squads to the United States to kill Mr. Reagan. The administration first urged Americans to leave Libya in December 1981, after it reportedly received information that Colonel Qadhafi had sent such squads to the United States.

Colonel Qadhafi declined to state that he would be willing to cut off support for Palestinian groups known to have carried out terrorist attacks against civilians.

For the second time in three days, Colonel Qadhafi chose five Western female reporters for a discussion of his political views and his personal likes and predilections. He said he had chosen women because, "It's a man's world and I want to change that."

Colonel Qadhafi said he felt more comfortable in the setting of a tent. "I was raised in a tent," the colonel said, referring to his bedouin rearing in the desert town of Sirte.

The colonel responded positively, but without much enthusiasm, to an offer Saturday from Yasser Arafat, chairman of the Palestine Liberation Organization, to put aside their differences and form a common Arab front to fight Israel.

"The fight against American and Israeli imperialism and aggression is broad enough to include many fronts," Colonel Qadhafi said.

His political dream, Colonel Qadhafi said in an interview Thursday, was to set up an Islamic utopia in Libya, a progressive democracy without race, class, or sex distinctions. He said he wanted a society in which arms and the means of production would be in the hands of the masses.

Many Western officials and students of Libya say Colonel Qadhafi has created a ruthless police state rather than a people's paradise.

The interviews revealed a side of the leader that few journalists see — a man determined, at least in these encounters, to be likable, nonaggressive, almost jovial.

At the same time, he came across as a man ignorant of many political

(Continued on Page 5, Col. 1)

Reuters

Colonel Moamer Qadhafi, his wife, Safiya, and four of their seven children in their tent in Tripoli.

Iranian Navy Searches U.S. Cargo Ship

The Associated Press

WASHINGTON — Armed sailors of the Iranian Navy boarded a U.S. merchant ship in international waters just outside the Gulf on Sunday, searching for possible military cargo bound for Iraq, the State Department said. A spokesman said the incident was of "serious concern."

The ship, the President Taylor, owned by American President Lines of Oakland, California, was allowed to proceed to Fujaira in the United Arab Emirates, according to the State Department spokesman, Bruce Ammerman.

It was the first vessel flying the U.S. flag to be stopped by Iran since its war with Iraq began five years ago, the spokesman said.

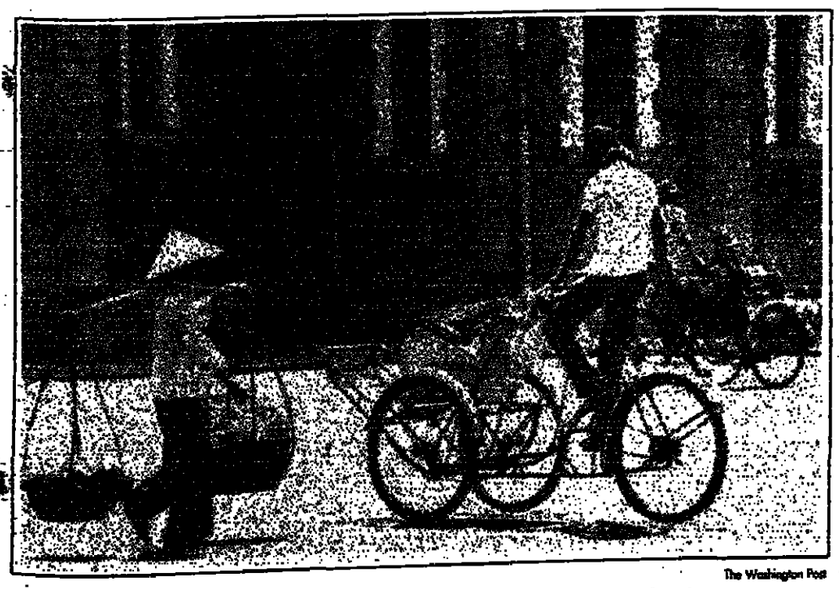
"Although this incident is obviously of serious concern, we have not yet met with the ship's captain and ascertained the full facts of the case," he said.

The boarding party consisted of seven Iranians who inspected the ship's manifest, according to Richard Tavrow, the company's senior vice president and general counsel.

Mr. Tavrow said the President Taylor, which usually carries grain between West Asian ports, was stopped by a single Iranian Navy vessel. The President Taylor, which normally has a crew of 40 to 45, was carrying bags of grain, he said.

"We're certainly concerned because we serve Fujaira and we are a major U.S. line company," Mr. Tavrow said.

The United States declared its neutrality after the war broke out. But the Reagan administration, while accusing Iraq of using chemical weapons against Iran, since has resumed diplomatic relations with Baghdad and has urged other countries not to provide arms to Iran.



The Washington Post

Passersby go about their business on a quiet street in Hanoi.

U.S. and Vietnam: False Impressions

Emotion Is Said to Blind America to Hanoi's Weaknesses

By Barbara Crossette
New York Times Service

HANOI — "You Americans have given the world a false impression of Vietnam," a European with long experience in Indochina said last week, just before Hanoi welcomed the highest-level U.S. delegation since the war ended. "These people are not giants."

The theme is repeated by diplomats, aid officials, scholars and the few business representatives who somehow manage to trade with Vietnam. The country they describe is not the vanquisher of two large Western armies or the conqueror of Pol Pot.

It is a very poor, chronically undernourished, badly administered nation, riven by ministerial rivalries in the capital and gestures of defiance in the provinces, whose authorities hew to the Vietnamese adage that "the power of the emperor stops at the village gate."

Foreigners from East and West say they are fascinated by the emotional links that persist between the Vietnamese and Americans.

For the Vietnamese, the focus on the United States, where friends and family of many live, is constant. To Americans, Vietnam might be just another poor Third World country clamoring for attention — except for the war, and those who never came back.

In American perceptions, Hanoi remains a threat to all of Southeast Asia because of its overthrow seven years ago of Pol Pot's government in Cambodia and its domination of Laos. The Reagan administration has said it will not recognize Hanoi until its troops leave Cambodia.

Yet the Vietnamese need all that U.S. diplomatic recognition can offer. They hope for, among other things, the relaxation of a Western and Japanese aid embargo, a way out of increasingly unproductive economic dependence on Moscow and help in maneuvering China into a Cambodian settlement.

The need for aid is immediate. The average weight of a Vietnamese citizen is dropping by a pound or two a year, international health officials say, and the country is nearly bereft of medicines except for supplies sent by relatives from abroad.

Vietnamese officials were acknowledging last week that a decade after uniting the country under social-

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■ **The Chicago Bears** routed the Los Angeles Rams, 24-0, to gain a berth in the Super Bowl on Jan. 26. Page 17.

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The popularity of the 600 newsletters published in the U.S. rises along with the stock market. What to look for. Page 9.

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Joseph Kraft, the syndicated columnist and author, died at 61. Page 3.

A 'Piddling Affair' Trips Up Thatcher

Heseltine Challenge Makes Her Seem Overbearing, Vulnerable to Attack

By Joseph Lelyveld
New York Times Service

LONDON — The theatrical exit of the British defense secretary from the cabinet room at 10 Downing Street, coupled with his detailed indictment of Margaret Thatcher's manner of running her government, may not have enhanced his

NEWS ANALYSIS

chances of becoming the next leader of the Conservative Party.

But there is little doubt among politicians that the resignation Thursday of the defense chief, Michael Heseltine, cut short a seeming revival in the prime minister's political fortunes.

It was the first walkout from a British cabinet meeting since Joseph Chamberlain broke with William Gladstone on the Irish question 99 years ago. But Mrs. Thatcher went on about her business with the purposefulness that has been her hallmark since she came to power in 1979.

In a meeting Friday with American journalists, she said she was sad to lose Mr. Heseltine, then briskly pronounced the matter closed.

"We shall have to put this behind us," she declared.

But the issues Mr. Heseltine left scattered in his wake seemed certain to reverberate for weeks.

Least significant of these, in the view of most politicians, was the one that seemed to matter most to Mr. Heseltine: the future of a nearly bankrupt helicopter company that has somehow become the prize in a hard-fought battle between two multinational consortiums.

The general view was voiced by a cabinet member who dismissed it as "the most piddling affair."

The future of Westland PLC, he said, mattered only because Mr. Heseltine made it symbolize latent divisions over the government's role in managing the economy and Britain's role in Europe that persist in the Conservative Party after a decade of Thatcherism.

Mr. Heseltine accused Mrs. Thatcher of "ill-tempered attempts" to block the bid by a consortium of five European companies that he was trying to help. He said the ability of Britain and Europe to remain competitive in high technology was riding on a shareholders vote scheduled Tuesday.

The prime minister insisted in public that the decision on whether to accept the other bid from a consortium led by the Sikorsky division of U.S.-based United Technologies Corp. was a matter for shareholders, not the government.

But the abstruse fiscal and technological issues on which the vote turns have become so confused with high-stake Tory politics that Mr. Heseltine will appear to have won a moral victory at Mrs. Thatcher's expense if, as seemed increasingly likely Friday, shareholders fail to give the Sikorsky bid the 3-to-1 endorsement it requires.

Still, the sense that the affair was more than "piddling" for Mrs. Thatcher had little to do with Westland. It may have had more to do with Mr. Heseltine's charges about her overbearing way of managing the cabinet.

The notion that the prime minister is only "first among equals" under Britain's unwritten constitution has a mystical appeal to many here, but Mr. Heseltine's charges could hardly be called revelations. Political satirists and caricaturists have often portrayed Mrs. Thatcher as a stern schoolmistress in a room full of cowering boys.

The question of "cabinet responsibility" is of interest to few beyond cabinet ministers and political scientists. It is not the sort of issue on which elections are fought or lost. Nor does anyone seriously imagine that Mr. Heseltine, an activist with a reputation for not cultivating political allies, would be content to function as chairman of the board rather than chief executive officer were he to inherit the leader's mantle.

Reuters
Michael Heseltine

By process of elimination, it has come to seem that the core issue, for now at least, is Mrs. Thatcher herself.

Mr. Heseltine's challenge to the prime minister has made her seem not only overbearing but vulnerable to attack, particularly in a week in which unemployment and interest rates both rose.

In recent polls, the Conservatives have held a narrow lead over the Labor Party primarily because the political debate has focused on the question of whether Labor is fit to govern.

Mrs. Thatcher is not required to call an election for more than two years, but the shift in the focus of debate to her own leadership left many Conservatives wondering whether she could lead them to victory for a third time.

If there is any chance for Mr. Heseltine and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, it would be only in the aftermath of a major setback in the next election. That three-cornered race also will include the Social Democratic-Liberal Alliance.

Other refugees from the Thatcher cabinet who have been exiled to the back benches of the House of Commons have quickly been written off by their party. But few commentators were saying the flamboyant Mr. Heseltine's political life expectancy had been exhausted at age 52.

France's New Star: Resurrected Hernu

Crowds Forget Greenpeace to Acclaim Ex-Minister's Return to the Hustings

By Michael Dobbs
Washington Post Service

VILLEURBANNE, France — The most prominent political victim of France's Greenpeace scandal, Charles Hernu, seemed a lonely, defeated man when he resigned as defense minister in September.

Today, he has become accustomed to receiving ovations whenever he appears in public. Buoyed by about 20,000 sympathetic letters that he has received since his forced resignation, he is even dropping hints about running for president.

Newspapers that wrote Mr. Hernu's political obituary in September, after he was blamed for the sabotage by French secret agents of a Greenpeace ship in New Zealand, now are publishing articles analyzing his political comeback.

The twist in Mr. Hernu's fortunes provided an unexpected epilogue to France's most serious political scandal since the left came to power in May 1981.

Senior Socialist Party officials privately accused Mr. Hernu of concealing the truth about the sinking of the Rainbow Warrior from President François Mitterrand for more than two months to protect the army and the secret services.

Two French Army officers are serving 10-year prison sentences in New Zealand after acknowledging involvement in the sabotage operation, in which a Greenpeace photographer was killed.

The epicenter of the Hernu phenomenon is Villeurbanne, an industrial suburb of Lyon. A grimy city of 120,000 inhabitants with deep-rooted leftist traditions, Villurbanne has been Mr. Hernu's political base since 1977, the year he was first elected mayor.

In France, a politician may retain local elective office while serving in the national cabinet, and Mr. Hernu kept his job as mayor.

At the age of 62, he has embarked with gusto on a daily round of local political appearances. He plunges into crowds, kissing women, signing autographs and pinching the cheeks of babies.

"No one here considers that he was really responsible for the Greenpeace affair," said François Lozano, watching the mayor open an indoor bowling park.

Mr. Hernu's first step back to political rehabilitation came when local party activists chose him to head the Socialist campaign in the Rhône region, which includes Lyon and Villeurbanne, for the legislative elections in March.

He followed this with an announcement that, if the Socialists did well in the Rhône, he would consider running for president in 1988 if Mr. Mitterrand did not seek re-election.

An opinion poll last month indicated that 35 percent of French citizens wanted Mr. Hernu "to play an important role in the future." This made him the fourth most popular Socialist politician, a status that he never approached before the Greenpeace affair.

Reuters
Charles Hernu

The son of a gendarme, Mr. Hernu has devoted his political career to overcoming the traditional mistrust between the Socialist Party and the army. He played an important role in persuading Mr. Mitterrand to reverse his opposition to France's nuclear deterrent.

"I was the symbiosis between the army and the nation," he said, hinting that this was why his enemies wanted to get rid of him.

There has been little moral outrage in France about the secret service operation against the Rainbow Warrior. Many French citizens have taken the view that the government was justified in taking action to prevent the disruption of its nuclear testing program.

Mr. Hernu generally refuses to answer questions about his role in the Greenpeace affair.

"My conscience is clear," he repeats over and over again.

When pressed, Mr. Hernu says that he resigned because he was politically responsible for the secret services. But he denies having given an order to sink the Rainbow Warrior.

A continuing mystery is how Mr. Hernu has remained on good terms with Mr. Mitterrand if he really did mislead him on Greenpeace.

Asked at a recent press conference how he felt about the former defense minister, Mr. Mitterrand said: "Hernu was, is and remains my friend."

Poll Shows Gain For Mitterrand

Reuters

PARIS — President François Mitterrand's public image appears to have improved two months before parliamentary elections in France, according to a poll published Sunday in the Journal du Dimanche.

Thirty-six percent of those surveyed supported Mr. Mitterrand, whose term does not end until 1988. The poll showed a two-point increase from last month and a six-point rise compared with three months ago. It was Mr. Mitterrand's best performance since September 1983.

Raymond Barre, the main opposition figure, was the leader, with 49 percent of those polled saying they have a favorable opinion of him.

WORLD BRIEFS

Gdansk Solidarity Official Is Arrested

WARSAW (NYT) — The Polish authorities have arrested the leader of the Solidarity underground in the Gdansk region. He had been in hiding since martial law was declared four years ago and the trade union movement was outlawed.

Arrested was Bogdan Borusewicz, 37, a member of the clandestine provisional committee that administers Solidarity's underground, collecting dues from supporters at factories and organizing an extensive network of illegal publications.

No details were given of the circumstances of Mr. Borusewicz's arrest, but the official Polish press agency announced his arrest Saturday on the eve of a scheduled Mass for political prisoners at St. Brigida's Church in Gdansk, the Baltic port.

7 Seized in '84 Train Bombing in Italy

FLORENCE (AP) — Seven persons have been arrested on charges of murder for a 1984 train bombing that killed 15 people and injured 180 near Bologna, officials announced Sunday.

A deputy prosecutor, Piero Luigi Vigna, said at a news conference that the seven men, all Italians, had been under house arrest since August on other charges. He said four of the men were believed to be members of the Sicilian Mafia, while three were thought to be members of the Naples-based Camorra crime organization.

Mr. Vigna declined to outline evidence against the men or to indicate a possible motive. They were all charged with massacre with terrorist aims. The explosion was set off Dec. 23, 1984, as the train, bound from Naples to Milan, was passing through a tunnel south of Bologna.

Hu Accuses China Aides of Dishonesty

BEIJING (WP) — China's Communist Party leader, Hu Yaobang, accused some officials of "indiscipline and dishonesty" at a conference of 8,000 party, army and government officials, the official Xinhua news agency reported.

In a separate speech at the conference last week, Prime Minister Zhao Ziyang was reported to have said that such wrongdoing involved "only a few people." Both leaders spoke against a background of Chinese press reports on government corruption, in what appeared to be the strongest warning so far in China's crackdown on economic crime.

Mr. Hu, speaking at the conference on Thursday, deplored "indiscipline and dishonesty" by some officials, Xinhua reported Friday. These problems, he said, were reflected in "political liberalism, ideological individualism, and favoritism exercised through connections."

Reuters
Hu Yaobang

Israeli Ministers Discuss Taba Dispute

JERUSALEM (NYT) — Key Labor and Likud cabinet ministers met Sunday to decide whether Israel should submit a longstanding border dispute with Egypt to international arbitration.

Government sources said it was still not clear whether the Labor ministers, who favor arbitration, will be able to reach a consensus with the Likud ministers, who will agree to arbitration concerning Taba, a stretch of beach in the Sinai, only with stringent conditions attached.

If the 10 ministers reach an agreement, the matter is settled. If they deadlock, as they have in the past, Prime Minister Shimon Peres can try to bring the matter before the full cabinet. This, however, could spark a coalition crisis.

Afghan Ruler Rejects U.S. Peace Role

TOKYO (Reuters) — President Babrak Karmal of Afghanistan has rejected President Ronald Reagan's offer to serve as guarantor of a settlement of the war in his country.

In an interview in Kabul that was published Saturday in the Tokyo newspaper Asahi Shimbun, Mr. Karmal accused Washington of ignoring the political and social realities of Afghanistan. Mr. Reagan raised the Afghan issue at his meeting in November with Mikhail S. Gorbachev, the Soviet leader, in November and offered afterward to be guarantor of a settlement providing for a withdrawal of Soviet forces and self-determination for the Afghan people.

Mr. Karmal ruled out any possibility of negotiations with guerrillas who have been fighting the government since Soviet troops intervened in Afghanistan in 1979. But he said that Afghanistan and Pakistan had neared final agreement on three points in Geneva last month during the sixth round of indirect talks on ending the war.

Terrorist Threat in Northern Europe

THE HAGUE, Netherlands (AP) — Buildings used by or for Israelis were under close guard Sunday in several northern European nations after a warning that they may have been targeted for terrorist strikes, police and government sources said.

"We look very seriously at this threat," said Sven-Ake Hjalmroth, chief of Sweden's security police. Swedish authorities said the warning, which came Thursday from the international police organization Interpol, indicated that a terrorist group led by Abu Nidal was planning to strike at Jewish or Israeli targets in Sweden, Denmark, Norway or the Netherlands within the next few days.

For the Record

Britain's foreign secretary, Sir Geoffrey Howe, arrived Saturday in Oman on a three-nation tour focusing on the Middle East peace process, the Iran-Iraq war and terrorism. He will also visit Kuwait and Saudi Arabia. *(Reuters)*

Yelena G. Bonner, wife of Andrei D. Sakharov, the dissident Soviet physicist, entered a Boston hospital Sunday. She was scheduled to undergo heart bypass surgery Monday. *(AP)*

A Paris commercial court has delayed until Tuesday a decision on whether to appoint a magistrate to look into the purchase of Le Progrès de Lyon, France's fifth-largest provincial newspaper, by Robert Hersant in defiance of an anti-monopoly law. *(Reuters)*

Edmond Lee Browning, Episcopal bishop of Hawaii, was installed as presiding bishop of the church Saturday in Washington at a service concelebrated by Desmond M. Tutu, Anglican bishop of Johannesburg. Bishop Browning, 56, praised Bishop Tutu's "courageous witness against the evil of apartheid." *(UPI)*

Ex-Rebel Shuns Kampala, Weakening Accord

By Blaine Harden
Washington Post Service

KAMPALA, Uganda — A peace agreement hailed last month as a cure for Uganda's 20 years of government-sponsored terror appears to be foundering.

Yoweri Museveni, the former rebel leader whose army has annexed a third of this East African country, has refused for nearly a month to come here to the capital and assume his position as a coequal in running all of the country, as called for in the agreement. He said the capital is "not safe."

Mr. Museveni, who is to become vice chairman of the ruling Military Council, said earlier this month that he would not come to Kampala unless Uganda's military government stops soldiers from preying on civilians and eliminates the killing and looting that have escalated since the peace agreement was signed in Nairobi on Dec. 17.

Mr. Museveni, the leader of the National Resistance Army, remains with his army of 10,000 in the southwest in an area held by the rebels.

The seven hills upon which Kampala is built continue to echo at night with gunfire from automatic weapons that the agreement was to have silenced. Roads leading south and west out of this city, all of which were to be cleared by the accord, remain blocked by young men carrying Soviet-made Kalashnikov rifles who ask motorists: "What have you brought for me?"

Tens of millions of dollars of international aid is being held up, waiting for Mr. Museveni, as is a $286-million government plan to demobilize and resettle about 100,000 Ugandan soldiers.

Hundreds of these soldiers are waiting for Mr. Museveni, according to Western diplomats and militia commanders here, by getting in some "last-chance" looting, raping, car theft and cattle rustling.

Reuters
Yoweri Museveni

A headline that pleaded 'Please, Museveni, come to Kampala' summed up the impatience in the capital.

The Roman Catholic bishop, Matthias Ssekamanya, said that looting and raping in the Mpigi area, about nine miles (15 kilometers) southwest of Kampala, have increased sharply since the peace agreement.

A banner headline in The Star, Uganda's main English-language daily, summed up Kampala's weariness with two decades of bloodshed and its impatience for the arrival of the only man many Ugandans think can bring the violence to an end. It pleaded: "Please, Museveni, come to Kampala."

The peace agreement gives the rebels equal representation on the Military Council and in commanding Uganda's armed forces. It sets up a procedure for a reconnaissance team to "identify the positions of all the combatant forces and thereafter to determine the size of the monitoring observer force required" to help disarm soldiers and demilitarize Kampala.

But no part of the peace agreement can be put in motion unless Mr. Museveni cooperates. He is to appoint members of the Military Council and participants in the reconnaissance team, but has done neither.

The Kenyan government has sent 37 soldiers to Kampala, as the core of the reconnaissance team. They are to work with government and rebel representatives. But with no rebel representatives in the city, the Kenyans are cooling their heels.

A spokesman for the National Resistance Army said in Nairobi that Mr. Museveni cannot participate in the peace agreement because the Ugandan government "does not make people safe."

"If you are going to have shootings and killings, you cannot do very much," the spokesman said. "We cannot just show up. Kampala has to be demilitarized. We very much want to implement" the agreement. "But these other people want to play tricks."

Since the agreement was signed, there have been frequent local press reports of atrocities by government soldiers. Lieutenant General Basilio Olara Okello, commander of Uganda's armed forces, has ordered that all such reports be cleared by a "press security committee."

Botha Plans Reforms, Banker Says

(Continued from Page 1)

ment to make substantial reforms to the apartheid system of segregation.

Unlike the American group, Mr. Leutwiler did not meet with any of the government's radical blacks opponents. The only blacks he met, he said Sunday, were people who held office within the separatist administration, the most critical of whom was Chief Gatsha Buthelezi, head of the Zulu nation.

Asked why he had met no radicals, the Swiss banker replied that he had no interest in meeting people who received armed assistance from the Soviet Union. This seemed to some observers to be a surprising disclosure of a partisan attitude on the South African issue.

"I don't like people who are in favor of violence and I don't like people who want a civil war," Mr. Leutwiler said, in a clear reference to the outlawed African National Congress, the main black opposition movement is trying to overthrow white minority rule by guerrilla struggle.

"I did not ask to see Nelson Mandela," the imprisoned ANC leader, "or his wife, and I do not regret that fact," Mr. Leutwiler said.

Mr. Botha, in an address in September, raised the possibility of dropping laws restricting the movement of blacks, of including blacks in a national advisory body called the President's Council and of changing the unitary, white-ruled state into a federated, nondiscriminatory system based on ethnic units.

Black groups have made it clear that such a system would be unacceptable, as it would require continued racial separation.

The South African government froze repayment of capital on its $14 billion in short-term debt in September, after a year of racial unrest.

■ Black Activist Killed

A black anti-apartheid activist who was to have met Sunday with Chester A. Crocker, a U.S. assistant secretary of state, was chased from his home Saturday and hacked to death, according to witnesses quoted in an Associated Press dispatch from Johannesburg.

The witnesses said Ampie Mayisa, 58, was killed by about 10 blacks in the black township of Leandra, 120 kilometers (74 miles) east of Johannesburg.

Mr. Crocker, assistant secretary for African affairs, is in South Africa for talks with the government over South-West Africa, the South African-ruled territory also known as Namibia, and the conflict in Angola.

Mr. Crocker toured black townships east of Johannesburg on Sunday, and said Mr. Mayisa's death was "terrible." He was known as a supporter of the United Democratic Front, which opposes apartheid.

■ Congressmen End Visit

The six members of the U.S. House of Representatives concluded their four-day visit to South Africa by endorsing continued and perhaps strengthened U.S. economic sanctions against Pretoria, the Los Angeles Times reported Friday from Johannesburg.

Pretoria Has Troops Deep in Angola, Luanda Says

Compiled by Our Staff From Dispatches

LUANDA, Angola — South Africa has deployed at least three battalions of troops deep inside Angola and has set up joint units with anti-Communist rebels fighting the Luanda government, according to the Angolan government.

President José Eduardo dos Santos told diplomats at a reception Friday in Luanda that the South African troops were in Cunene province, 95 miles (150 kilometers) north of the border between Angola and South-West Africa, also known as Namibia.

The government news agency, ANGOP, said Sunday that South African forces had formed "joint battalions" with rebels of the National Union for the Total Independence of Angola, or UNITA, the movement led by Jonas Savimbi.

There was no comment from Pretoria on either report.

The news agency reported increased military activities by South Africa aviation and ground forces in four southern and eastern provinces, Cunene, Huila, Kuando Kubango and Moxico, between Dec. 19 and last Wednesday.

The agency estimated the South African forces at "three to four battalions" and said the troops had armored and air support.

It also said South African forces ambushed a supply convoy that was headed Monday to Cuito Cuanavale, in southeastern Kuando Kubango province, killing 6 Angolan troops and injuring 47.

The news agency said the joint units were formed in southeastern Kuando Kubango province, "where there are no camps of Namibian refugees nor SWAPO fighters."

SWAPO, the South-West Africa Peoples Organization, is fighting for the independence of Namibia, which borders Angola and is controlled by South Africa as the territory of South-West Africa in defiance of United Nations resolutions for its independence. South African troops have frequently entered Angola, allegedly to attack the guerrillas.

South Africa announced last April that it had withdrawn the last of its troops from southern Angola under an agreement worked out in 1984 between the two countries by the United States. The withdrawal has repeatedly been denounced as incomplete by the Luanda authorities. *(Reuters, UPI)*

■ Angolan Public Relations

The Soviet and Angolan governments are shopping for American public relations firms to improve their image in the American news media, according to several private consultants who have spoken with Soviet and Angolan officials in recent weeks, The Washington Post reported Saturday from Washington.

Public relations officials see the Soviet contacts as the natural outgrowth of the November's summit talks between President Ronald Reagan and Mikhail S. Gorbachev, the Soviet leader.

Efforts by Angolan officials to get public relations advice was seen by public relations representatives as a propaganda counterattack to the movement in Congress to give millions of dollars in humanitarian aid and covert military assistance to Mr. Savimbi's forces.

Mr. Savimbi's organization retained a Virginia firm, Black, Manafort, Stone and Kelly, last fall for $600,000 to press its cause in Congress and the White House.

Aquino, in Marcos Stonghold, Draws Small, Hostile Crowd

Reuters

DANAO, Philippines — Voters loyal to President Ferdinand E. Marcos gave Corazon C. Aquino, his opponent in the February election, a chilly reception Sunday when she ventured into one of his strongholds.

The hostility was in marked contrast to her enthusiastic reception in other parts of the country.

In the nearby central Philippine city of Cebu on Saturday, about 200,000 people came to see Mrs. Aquino and her running mate, Salvador H. Laurel, and thousands more cheered them on the 25-mile (41-kilometer) drive from Cebu to this small city.

But in Danao, only 300 supporters turned out as Mrs. Aquino attended Mass. It was the smallest crowd so far in her campaign for the Feb. 7 elections.

An equal number of Marcos supporters waved placards outside that said: "Danao is 100 percent behind Marcos."

"It is something very different," Mrs. Aquino said. "I could sense people were afraid."

Danao is controlled by a pro-Marcos mayor, Ramon Durano. Cebu is regarded as opposition territory.

■ U.S. Group Backs Aquino

An American conservative group with close ties to President Ronald Reagan endorsed Mrs. Aquino on Sunday, The Associated Press reported from Washington.

The National Defense Council, a prominent supporter of Reagan policies in Central America, said that "Mrs. Aquino expresses democratic and anti-Communist views" and her election would rejuvenate democracy in the Philippines.

The council's decision to back her reflects a split in American conservative ranks over Mr. Marcos.

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AMERICAN TOPICS

Companies Cut Back On Staff Health Costs

General Motors Corp. says its costs for employee health care increased 14 percent a year from 1974 to 1983. In an effort to get these expenses under control, GM and thousands of other American companies have started programs aimed at weeding out what they consider to be unnecessary procedures and drawn-out hospitalization.

Many companies, The New York Times reports, are paying for second and third medical opinions and are influencing which opinion the employee accepts. They are also refusing to pay in full for procedures that their own medical advisory services say are not needed.

This is essential "to move medical care to a system of accountability," says Dr. Charles Arnold of Metropolitan Life Insurance Co. "It is pretty clear that there is far more use of hospitals and surgery than is necessary."

The results are unclear. The Employee Benefit Research Institute estimates that employers paid more than $87 billion for group health insurance in 1984, up from $82 billion in 1983 and about $70 billion in 1982. So the growth of health-care costs is slowing down, but this may be the result of other cost-cutting measures.

Opponents of the companies' programs are numerous. Dr. James Todd of the American Medical Association says, "Increasing barriers are being placed between the patient and the medical care system." He asks, "When do these barriers become malignant rather than benign?"

Notes About People

When The New York Times interviewed **Kathleen Kennedy Townsend**, daughter of the late Senator Robert F. Kennedy, about her prospects for running for Congress this year as a

NYT

Kathleen K. Townsend

Democrat from Maryland, an hour went by before she mentioned her family. Mrs. Townsend, 34, a lawyer and mother of three daughters, said "I am very proud of what my family has accomplished" but that "usually, when you're voting for somebody, you vote for that person. You don't vote for their whole family."

The menu at the Century Plaza Hotel in Los Angeles, where **Ronald Reagan** often stays on his Western swings, lists "Supreme of Chicken with Kiwi and Dixie Dressing as served to President Reagan." Price: $9.75.

Ralph Nader, the consumer advocate, has a new book due out this spring. Published by Pantheon, "The Big Boys" has profiles of nine corporate chiefs. Mr. Nader says the book deals largely with how these men gained their power and how they exercise it. Six of the nine gave extensive interviews for the book, as did about 600 former associates and competitors. Mr. Nader says each of the nine "is a repository of great stories, great observations and great experiences, most of which never get reported because the business press is preoccupied with the fact or news event of the day."

Short Takes

Five of North America's rarest birds of prey — the bald eagle, the gyrfalcon of the far North, the peregrine falcon, the northern goshawk and the merlin — have increased dramatically in number since use of the pesticide DDT was severely restricted in 1972. The bald eagle, national symbol of the United States, has nearly doubled in number, to 37,000, and can be sighted in every state but Hawaii.

The breast-pocket handkerchief dates back to Beau Brummell, the early 19th-century dandy, but has been in such eclipse recently that in the 1960s some suits had no breast pocket at all. But The New York Times advises that the handkerchief is making a comeback, though the experts disagree on color. Norman Karr of the Men's Fashion Association says the handkerchief should be colored or patterned or both. Alan Fusser, a clothing designer, says a plain white handkerchief "is a sure sign of a confident and elegant dresser." Both agree that the handkerchief should complement the tie but must never match it in pattern or color.

Shorter Takes: Pennsylvania State University experts say large objects appear to move more slowly than smaller objects traveling at the same speed. This may help explain why an average of 650 people a year are killed at U.S. train crossings. ... Enrollments in American schools are swelling as the children of postwar baby boom children reach school age. The number of kindergarten pupils increased from 3.272 million in 1980 to 3.484 million in 1984, the U.S. Census Bureau reports.

— Compiled by
ARTHUR HIGBEE

Aides Say Reagan Budget Will Propose Deleting Some Federal Programs

By Gerald M. Boyd
New York Times Service

WASHINGTON — President Ronald Reagan will propose eliminating several federal programs in 1987 to achieve more than a third of the $50 billion in savings required under a new budget-balancing law, according to White House officials.

Mr. Reagan, in the budget he will submit to Congress in about three weeks, will call for about another third of the $50 billion to come from cuts in other programs that would not be eliminated, the officials said Saturday. They spoke on the condition they not be identified.

Slightly less than one-fourth of the needed savings would be generated through the large-scale sale of federal assets, which a high-ranking official said was being undertaken because "we need the money."

The officials did not name the programs Mr. Reagan would seek to eliminate, but they suggested strongly that the programs would be similar to the ones that the president sought to terminate last year, such as the Small Business Administration and direct loans for the Export-Import Bank. Congress later voted to continue financing many of them.

The officials did name several broad categories that would be protected, including programs for the poor.

The $50 billion in savings in fiscal 1987 are mandated by the recently enacted budget-balancing measure, sponsored in the Senate by Phil Gramm, Republican of Texas, Warren B. Rudman, Republican of New Hampshire, and Ernest F. Hollings, Democrat of South Carolina.

The law sets a ceiling on the deficit of $144 billion for fiscal 1987, which begins Oct. 1. The ceiling may be reached through spending cuts, tax increases or a combination.

In his weekly radio address Saturday, the president provided a preview of the new budget proposal by saying he would reject any tax increase and would insist on the "maintenance of a strong defense."

Administration officials said Mr. Reagan would continue to insist on a 3-percent rise in military spending in addition to an increase to account for inflation.

"Instead," Mr. Reagan said, "our administration will meet its Gramm-Rudman-Hollings obligations by submitting budgets which eliminate government inefficiency and curtail needless expenses like vast amounts for Amtrak and subsidies for those who don't need them."

Mr. Reagan, in his budget for the fiscal year that began Oct. 1, had called for discontinuing a number of subsidies.

Besides the Small Business Administration and direct loans for Export-Import Bank, Mr. Reagan sought to eliminate training air carrier subsidies, the Rural Development Corp., subsidies in the health professions, the Appalachian Regional Commission, and Urban Development Action Grants, which are designed to promote local economic development.

Some congressional leaders have warned that the budget proposal will be "dead on arrival" in Congress if it seeks to achieve the savings mainly through eliminating programs.

But a White House official, promising a strong fight, said, "Reports of the budget's death are greatly exaggerated."

"This is the make-or-break year," he said. "And for that reason we will fight tooth and nail for the budget."

■ Hearing on Budget Law

Robert Pear of The New York Times reported from Washington:

A panel of three federal judges heard nearly three hours of impassioned debate Friday on the constitutionality of the budget-balancing law.

The court heard from six lawyers representing a multitude of interests, including the Reagan administration, the Senate, the House of Representatives, and the U.S. comptroller general.

The law requires that the deficit be reduced in large installments over the next five years to achieve a balanced budget by 1991. The statute sets deficit ceilings for each year and requires that federal spending be cut automatically, across the board with a few specified exceptions, if the expected deficit exceeds the targets.

Twelve members of Congress, led by Representative Mike Synar, a Democrat of Oklahoma, have filed a suit attacking the law as unconstitutional. Their lawyer, Alan B. Morrison, told the court on Friday that the law "inverts the legislative process" by automatically altering appropriation laws if Congress fails to act to reduce the deficit.

Simply because of congressional "inaction," he said, federal spending would be cut. "That is a fundamental shift in power, a dramatic shift in accountability," he said. "It violates the Constitution."

Richard K. Willard, assistant attorney general in charge of the civil division of the Justice Department, told the court that the new law was unconstitutional because it would make the president subservient to the comptroller general.

Under the law, the comptroller general is to determine whether automatic cuts in federal spending are necessary and, if so, how much is to be cut from each federal "program, project, and activity."

Lloyd N. Cutler, representing Comptroller General Charles A. Bowsher, insisted that the comptroller general was not merely an arm of Congress, but an independent officer of the United States. The comptroller general is appointed by the president, with the advice and consent of the Senate, for a 15-year term. He can be removed only by impeachment or by passage of a law.

AP

Shuttle Begins Mission After 7 Postponements

The space shuttle Columbia took off Sunday from Cape Canaveral, Florida, after seven postponements, a record for the program. Congressman Bill Nelson, Democrat of Florida, above, is one of seven crew members for the mission. The postponements were caused by bad weather and technical problems.

Reuters-UPI

Joseph Kraft, Columnist and Author, Dies at 61

By Robert D. McFadden
New York Times Service

NEW YORK — Joseph Kraft, 61, the syndicated Washington columnist and author of books and articles on national and foreign affairs, has died at the Washington Hospital Center.

Mr. Kraft, who died Friday, entered the hospital about 10 days ago, shortly after writing his last column, Elizabeth Pozen, an assistant to Mr. Kraft, said that heart failure was apparently the cause of death.

Mr. Kraft, during a 35-year career, was an editorial writer for The Washington Post, a staff writer for The New York Times, a frequent contributor to The New Yorker and other magazines, a correspondent for Harper's Magazine in Washington, and a columnist for 15 years for Field Newspapers and, since 1980, for The Los Angeles Times Syndicate.

His columns appeared in about 200 newspapers in the United States and abroad, including the International Herald Tribune.

He was known as a fiercely independent, widely traveled columnist with a liberal bent, a sharp eye for detail and an authoritative voice on national politics, domestic and foreign affairs, and a host of other subjects.

In three columns a week — the number was cut to two in the past year — Mr. Kraft often provided insights and opinions on public affairs that reflected many interviews with leaders and a careful study of public records.

He was an early and outspoken opponent of American involvement in the Vietnam War, a dogged commentator on the Watergate affair, a strong advocate of détente and a critic of U.S. military and economic dominance in the world. He often urged opinion-makers to pay more attention to the values of what he called Middle America.

"I believe he coined the term 'Middle America' in the 1960s," said Anthony Day, the editor of the editorial pages of the Los Angeles Times. "By that, he meant the middle-class America whose views were overlooked by the opinion-molders on the two coasts."

Mr. Kraft, a dark-haired man with spectacles and an intense, restless manner, over the years spent much of his time traveling abroad and interviewed many of the world's leaders on a grueling schedule that may have contributed to heart attacks he suffered in the 1960s and 1970s.

Mr. Kraft had only one foray into politics, as a speechwriter for John F. Kennedy in the 1960 presidential campaign. He was a member of the panel of questioners for the television debates between Gerald R. Ford and Jimmy Carter in the 1976 presidential election.

He wrote four books: "The Struggle For Algeria," "The Grand Design: From Common Market to Atlantic Partnership," "Profiles in Power" and "The Chinese Difference."

■ Admired by Colleagues

Martin Weil of The Washington Post reported:

Katharine Graham, the chairman of The Washington Post, called Mr. Kraft "a brilliant, sensitive journalist with an incredible variety of talent."

Benjamin C. Bradlee, executive editor of The Post, described Mr. Kraft as a man with "a marvelous range of interests" that ran from Redskins football to French politics, on which he gathered information with unstinting vigor.

As a columnist, "he worked the phones unbelievably. He was not a thumb-sucker," Mr. Bradlee said. "He was out on the street, having lunch, moving around, talking to people, lots of people."

James Reston of The New York Times said that, with the possible exception of I.F. Stone, "No journalist of his time in Washington studied the official documents more carefully, questioned officials more precisely or worked so hard, knowing he had so little time, to fight for the facts and against the television pretenses of contemporary politicians."

Meg Greenfield, editorial page editor of The Post, called Mr. Kraft one of the last survivors among syndicated columnists of "the great tradition of the extremely well-informed generalists."

P.D. Eastman, 76, Author of Children's Books

NEW YORK (NYT) — P.D. Eastman, 76, an author of children's books that sold more than three million copies and that were translated into 10 languages, died of pneumonia Tuesday in a nursing home in Cresskill, New Jersey.

Mr. Eastman, of Westport, Connecticut, began his career as a member of the story department of Walt Disney Productions, and later worked for Warner Brothers.

During World War II, he served with the Frank Capra film unit, working on the creation of the Private Snafu character for an Army-Navy screen magazine.

After the war, he helped develop the Mister Magoo character, and was co-writer of the 1951 cartoon, "Gerald McBoing Boing," which won an Academy Award. He was the author or illustrator of a dozen books, including "Sam Firefly," "Are You My Mother?" and "The Best Nest."

Patrick Lindsay, 58, Art Expert at Christie's

NEW YORK (NYT) — Patrick Lindsay, 58, head of the Old Masters department of Christie's in London, died of cancer Thursday at his London home.

Mr. Lindsay was the auctioneer at the sale in April of Andrea Mantegna's "Adoration of the Magi," which was purchased for $10.4 million by the J. Paul Getty Museum of Malibu, California. It was the highest price ever paid at auction for a painting.

Mr. Lindsay presided at the 1970 sale of Velázquez's "Portrait of Juan de Pareja" for $5.5 million to the Metropolitan Museum of Art and at the 1980 sale of Rubens's "Samson and Delilah" for $6 million to the National Gallery in London.

■ *Other deaths:*

Miklos Krasso, 56, a Hungarian intellectual who played a leading role in the 1956 anti-Soviet uprising in Hungary, Friday in a London hospital after being badly burned in a fire at his London home.

Edmund Fitzgerald, 90, an insurance executive for whom the ill-fated Great Lakes freighter was named, Thursday in Milwaukee. The 729-foot (222-meter) Edmund Fitzgerald, an ore carrier, was the largest vessel on the Great Lakes when it was launched in 1958. It sank during a storm on Lake Superior on Nov. 11, 1975, killing all 29 men aboard. The disaster was immortalized the following year by a songwriter, Gordon Lightfoot, in "The Wreck of the Edmund Fitzgerald."

John C. Mandanici Sr., 68, former mayor of Bridgeport, Connecticut, Tuesday in St. Vincent's Medical Center in Bridgeport.

U.S., Japan Settle Key Issue, Will Expand Trade Talks

(Continued from Page 1)

said, was "exerting a maximum effort" to ease trade frictions.

In negotiations in Tokyo earlier last week, Japan agreed to major changes in regulations that had barred sales of such American telecommunications products as pagers, mobile telephones and two-way radios. The Japanese telecommunications market is worth an estimated $5 billion to $7 billion, the second largest in the world after the United States.

Earlier, American negotiators and industry officials expressed satisfaction with the results in the field of medical equipment and pharmaceuticals.

Major advances were also made in opening Japan's electronics market, but three stubborn issues remained. They involve complaints that Japan blocks U.S. semiconductor sales while flooding the American market with its products; a ban on Japanese government purchases of weather and other noncommunications satellites to protect its developing space industry, and commercial practices by Japanese companies that hurt sales of foreign-made goods.

The Japanese, who are concerned that their trade policies would be blamed at the economic summit in Tokyo next May for a faltering world economy, were reported to be anxious to have the talks end on a positive note.

The Reagan administration, under strong pressure from Congress, insisted that the final statement reflect the strong differences that remained until Friday in the talks on forest products as well as the remaining disputes in the other areas.

One likely candidate for expanded talks is the auto parts industry. U.S. makers of auto parts have complained for years that their competitive products are denied access to Japan, while Japanese companies sell many replacement parts to the United States.

Mr. Abe and Mr. Shultz agreed that the greatest cuts in the trade deficit would come from moves that started in September to increase the value of the yen in relation to the dollar and in changing the focus of Japanese industries to produce for domestic consumption instead of export.

During the past year, the value of the dollar decreased about 20 percent in relation to the yen, and Japanese auto and consumer electronic companies have started to increase prices of their products to compensate for the lower relative value of the dollar.

Comoros, France Join Indian Ocean Grouping

Reuters

PORT LOUIS, Mauritius — France, by virtue of its island territory of Réunion, and the Comoros, a former French colony, have been admitted to the Indian Ocean Community, officials said Saturday after a meeting of the organization.

Réunion will be allowed to be host of ministerial meetings of the regional cooperation group but will not be allowed to serve as president because it is not a sovereign state, the officials said.

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INTERNATIONAL Herald Tribune
Published With The New York Times and The Washington Post

Steadiness Can Work

A United States senator, Howard Metzenbaum, has suggested that Moamer Qadhafi ought to be assassinated. Many people would applaud the remark or at least condone it on grounds that the senator from Ohio was only voicing the general revulsion. But he was doing more. He was validating Colonel Qadhafi's own idea that assassination is a reasonable way to work off a political grievance.

A great many people around the world are not going to pay close attention to the Reagan administration's prompt reiteration that assassination is outside U.S. law and policy alike. They are going to remember that a U.S. senator put an American imprimatur on the notion of resolving political conflict by killing the head of state. Among the possible consequences could be a greater determination by America's allies to put distance between themselves and the impatient Americans.

Economic sanctions, to be sure, have their limitations. The allies have made clear that they have no political leeway to go along. Prudently, Washington is trying to avoid making its sanction call into a crusade that would risk turning a confrontation with Libya into a conflict with the allies. Instead the Reagan administration is concentrating for now on ensuring that the allies do not fill the gap left by its latest measures of economic withdrawal. There can be no illusions that Colonel Qadhafi, who has shown that he will not be shamed out of terrorism, will be squeezed out of it. Still, the experienced American oil and construction hands who may leave Libya cannot be replaced overnight, and in a time of oil glut the loss of the American market is not insubstantial. The American effort should be to stay involved in building support for boycott measures so long as Libya's policies do not change. Steadiness, not a brief burst of concern, is the best basis on which to bring along the allies.

Zbigniew Brzezinski, who was President Carter's assistant for national security affairs, argues that the Europeans might become even readier to join sanctions if they felt that, for the United States, the alternative to collective economic action was to embark on some sort of unilateral military course, or if they saw some genuine Soviet strategic threat developing in Libya. No one can be eager to test these propositions, least of all the allies. Their very dread should make them consider the relative advantages in notching up the economic pressure on the Libyans. There are a dozen reasons why the Europeans want to hang back. There are some very good ones why they shouldn't.

— THE WASHINGTON POST.

Stop Paying Duvalier

Every year about this time, President Jean-Claude (Baby Doc) Duvalier looks to protect Haiti's share of American aid by giving the State Department grounds to perceive "progress" in his record on human rights. The search for such progress in that hereditary tyranny becomes ever more difficult. This year's offering comes in response to specific U.S. demands: the release from jail of Hubert DeRonceray, a prominent opposition leader accused of harboring "subversive" literature, and the return of Radio Soleil, a church-run station banned for criticizing the government.

As Washington well understands, these gestures are meaningless, mere dabs of paint on a solid structure of repression. Withholding the certificate of good behavior would probably cost Haiti only $8 million of a promised $56 million in aid, the rest surviving as humanitarian help. All the more reason then to dismiss the claims of progress with a resounding "No."

It has been a particularly bad year for civil liberties in Haiti. Mr. Duvalier, appointed president for life by his father, "Papa Doc," amended the Constitution to sanction political parties, but only those loyal to him. He then sought to ratify the changes with a sham referendum. That led to widespread dissent and even street demonstrations, many of which were violently crushed. Soldiers gunned down three teen-agers last November; a fourth youngster and a Protestant minister died in police custody. Violent student demonstrations have now led the government to close all schools and to put armed militias in command of Port-au-Prince and its international airport.

Poverty, ignorance and intimidation have been staples during three decades of Duvalier misrule. To praise Haiti for "progress" on human rights would mock Congress's interest in an honest report and betray the faith of Haitian dissidents, who look to the United States for inspiration. Despite its strongly expressed concerns for democracy in the Caribbean, the Reagan administration has so far spared Haiti from tough public criticism. A sterner message is overdue. It would be most effective if translated into money, the only language Mr. Duvalier seems to comprehend.

— THE NEW YORK TIMES.

Assad, Not Qadhafi, Is the Troublemaker to Watch

By Laurie Mylroie

CAMBRIDGE, Massachusetts — The American focus on Libya after the Rome and Vienna airport massacres has been wrong. Libya was perhaps most responsible for those outrages, but it was not the only country involved and is not the only one to gain by them. Syria is far more important than Libya in the Middle East, and not only in its support of Palestinian guerrilla factions. Hafez al-Assad can make the difference between war and peace. Moamer Qadhafi, for all his posturing, cannot.

While U.S. attention centers on Libya, the line of confrontation between Israel and Syria — a line that runs through Lebanon — has been heating up. In late November Israel downed two Syrian jets. Syria moved anti-aircraft missiles across its border into Lebanon, and has been shuttling them back and forth ever since. Most recently, the shelling of Israel's northern villages has begun again.

Israel sees the missiles as a threat because they limit its ability to monitor developments in Lebanon and retaliate against attacks. Rocket attacks on northern Israel were the ostensible cause for the 1982 invasion of Lebanon, which also aimed at removing Syrian missiles there.

It might seem that Israel's downing of the Syrian planes in November precipitated the new tensions, but that mistakes cause for effect. The current escalation is a Syrian initiative, even if the proximate cause might appear to be an Israeli action.

Just two hours before the Reagan-Gorbachev summit meeting, Syrian jets, which had previously observed Israeli reconnaissance flights from a distance, approached Israeli jets and were shot down — the first Syrian planes lost to Israel in more than two years. It is unlikely that the Syrian pilots acted without instructions from the highest level in Damascus. The question is, why did Syria time its move to coincide with the summit?

Superpower diplomacy has major consequences for the Arab-Israeli conflict. President Assad finds himself in a position similar to that of Anwar Sadat in 1972. Mr. Sadat watched the Nixon-Brezhnev summit and concluded that the Soviets would not jeopardize their relations with the Americans to help Egypt recover the territories that it lost in 1967. So he began dramatic action to avert a superpower-imposed stalemate. His carrot, expulsion of Soviet advisers, failed to shake the United States from its complacent belief in the viability of a stalemate; his stick, the resort to war the next year, did.

Now Mr. Assad suspects that the Soviets may make a deal at his expense for the sake of better relations with the United States. The Soviets have reason to be dissatisfied with the return on their investment in the Arab confrontation states. Ongoing discussions on the restoration of relations with Israel suggest that the new regime in Moscow is exploring alternatives to its present position — locked into the losing side in a conflict that looks to go on indefinitely. In any case, the Soviet-Israeli talks are not good news to Damascus.

If Syria today resembles Egypt more than a decade ago, mistrustful of the Soviets and fearful of being sold out for détente, it is different in one key respect. Mr. Sadat was clearly bent on ending the confrontation; one year after taking office, he said that he was ready to conclude a peace agreement with Israel. But Syria's position today is not clear.

Syria says that there can be no negotiations until it has achieved "strategic parity" with Israel. Nor will it let any other Arab party negotiate, lest its own bargaining position be compromised. The demand for parity effectively blocks any efforts to resolve the conflict in the near term. And as parity is indistinguishable from the ability to fight a war successfully, Syrian aims over the long term are just as ambiguous.

Syria is determined to show that it is an independent party in the Middle East equation whose concerns must be taken into account. At the very least, Mr. Assad will not be prodded into negotiations until he can bargain from a position of strength. It can be expected that if a new round of superpower détente begins, Syria's interest will be in stirring regional tensions, particularly those that pit Washington against Moscow, to prevent any Soviet-American understanding that would limit Mr. Assad's options.

Moscow surely wants to avoid the pitfalls of the early 1970s, when it was maneuvered out of Egypt by the U.S.-dominated peace process. Syria is now Moscow's most important friend in the Arab world, and it would find others, like Libya, ready to help undermine any incipient détente by raising regional tensions and imposing divisions on the superpowers from below. In such a broad arena of potential conflict, Libya's machinations are secondary. The escalation of Syrian-Israeli tensions, triggered by the prospect of a Soviet-American rapprochement, is the bigger picture and involves the bigger stakes.

The writer, an assistant director of academic affairs at the Center for Middle Eastern Studies at Harvard University, contributed this comment to the Los Angeles Times.

Other Opinion

Ideas for Dealing With Libya

Europe will do nothing to jeopardize pan-Arab favor or Libyan trade. For all Mr. Reagan's communications skills, Euro-cowardice will not yield to trans-Atlantic chiding. I suggest, therefore, a State Department travel advisory to American tourists that certain countries are unsafe. The use of Libyan embassies and diplomatic pouches for storing and transferring weapons is no secret to any European government. So let Washington threaten to issue a travel advisory against any country in which 1) Libyan-supported terrorists attack Americans and 2) Libyan embassies and trade missions are allowed to stay open.

It is a reasonable measure: A country in which Libyans can ferry arms and hide terrorists is a country unsafe for Americans.

Beefing up airport security will no longer do. No airport can be made airtight. Disrupting the terrorists' European infrastructure is essential. Begin with Rome and Vienna. Declare them unsafe until the host countries begin steps to cut diplomatic and trade relations with Libya. This strategy is not only more dignified than begging Europe to isolate Libya. It is also more likely to work.

— Charles Krauthammer, a columnist in the Washington Post Writers Group.

The biggest supplier of arms to Libya, after Moscow, is, of all nations, Italy. Is it possible that the weapons used by the terrorists in [the Rome airport attack] came from there?

— Frankfurter Allgemeine Zeitung (Frankfurt).

The Italians have said that they would we willing to consider an arms embargo. An arms embargo might not change Colonel Qadhafi's policy, but it is outrageous to supply weapons to a man who hires assassins.

The Europeans should also say that if Colonel Qadhafi continues to aid and abet murderers, it would be morally right for the West to launch a limited military retaliation. Whether a strike against Libya is practical depends on a military assessment. A surgical attack on terrorist training camps in the desert would be sensible; an attack on Abu Nidal's headquarters in Tripoli which killed hundreds of innocent Libyans would not, even if it were possible to identify where the headquarters was located. But Mrs. Thatcher is wrong to say that such an attack should be avoided because it would violate international law. The hijacking of the Achille Lauro hijackers violated international law, but there can be no doubt that it was the right thing to do.

— The Sunday Times (London).

Europe Shouldn't Be for Sale

Nothing is more crucial to the permanence of [the Atlantic] alliance than that both sides should respect each other as equals. There is within American society at the moment a deep isolationist tendency. Nothing would fuel it more than the feeling that the Europeans were not pulling their weight.

If the pre-eminent strength of the American industrial economy enables it to buy increasing sections of the European economy, changing the relationship between the United States and Europe from one of partnership to industrial subservience, then resentments against America will grow in Europe and anti-Americanism will become widespread. The accelerated brain drain across the Atlantic, the phenomenon of multinational companies, the less glamorous nature of the work available to European factories — all of these things will serve to build up resentment in Europe against the strength of the American capitalist system.

You can turn your back on this problem. You can, like an opportunist, take short-term decisions for the benefit of the nation. But such decision-making has been the tragedy of the European position since the war.

— Michael Heseltine, who resigned as Britain's defense minister on Thursday, writing in The Observer (London).

Anti-Terrorism Has to Be Pro-Peace

By Robert E. Hunter

BONN — Americans are confronted with the origins of U.S.-Libyan relations every time they hear the words "to the shores of Tripoli" in the Marine Corps hymn. Yet it is a great distance from Thomas Jefferson's disciplining of the Barbary pirates to the exchange of epithets between Ronald Reagan and Moamer Qadhafi. The contrast symbolizes changes both in the world and in the nature of demands on U.S. power.

Once Washington put the finger on Colonel Qadhafi for his complicity in the terrorist attacks at the Rome and Vienna airports, something had to be done. The economic sanctions that Mr. Reagan ordered last Tuesday are something, and a safe something. But cutting off modest U.S. intercourse with Libya is closer to nothing if other parties that traffic with the truant do not follow suit.

The morning after the president's announcement, the acting U.S. representative to NATO set forth to "lay it on" the allies. So far, "tepid" would be too strong a word to describe their response. For example, expressing "relative surprise" at not being consulted, West German Chancellor Helmut Kohl said on Thursday that he would not support the sanctions.

Yet there is risk in inferring that the Europeans care less about terrorism than does the United States. This can hardly be true for societies that have endured the Red Brigades, Baader-Meinhof and the Provisional IRA. Nor, despite their economic ties with Libya, are all Europeans mesmerized by the chance to make a buck from consorting with Qadhafi.

U.S. difficulties in gaining allied support for dealing with Libya stem largely from the Europeans' more political approach to power and problems. Put simply, there is a widespread belief on the Continent that terrorists gain strength from conflicts that lack political resolution — most important, the Arab-Israeli conflict.

In 1980 the European Community declared support for self-determination in Gaza and the West Bank, and endorsed a direct role in diplomacy for the Palestine Liberation Organization. Both positions were a rebuff to American peacemaking efforts and were anathema to Israel, but both remain Community policy.

This departure from U.S. views derives only in part from the Europeans' lack of responsibility for making diplomacy work. There is also a common European view that, because of domestic political pressures, the United States frequently mistakes its interests in the Middle East.

The European apostasy, right or wrong, might matter little if the United States were able to sustain its broader Middle East policies on its own. Yet the confrontation with Libya, and with terrorism in general, argues that it cannot. The United States now finds itself, along with Israel, to be remarkably isolated on the Libyan question. Not only are the Europeans reticent, but even Egypt, which has its own troubles with Libya, has joined the Arab League in condemning in advance any U.S. military move against Colonel Qadhafi.

Diplomatic isolation abroad may not matter at home, where creating the appearance of decisive action against terrorism is the key political requirement. But it does limit U.S. options in the Middle East, weaken the basis for U.S. leadership in peacemaking and further erode American credibility, especially with moderate Arab states. In effect, the United States and Israel risk becoming one another's alter egos. They may be allies (even if without benefit of treaty), but such a close embrace narrows the options of both and fully meets the interests of neither.

The goal of most terrorism is political change. The major result of the latest brutalities has been to demonstrate the degree to which the United States has been unable to promote changes that will serve the goal of peace in the Middle East. Only by becoming deeply engaged in the peace process even at the cost of Israeli irritation in the short term, only by hammering together a basis for enduring relations between Israel and moderate Arab states — only then can Washington dismantle the political platform of terrorism.

The writer is director of European studies at the Center for Strategic and International Studies at Georgetown University. He contributed this comment to the Los Angeles Times.

Mr. X Is Back With Another Lesson

By Philip Geyelin

WASHINGTON — This is the time of year for examining where we are going, and one of the great practitioners of postwar American foreign policy has done just that in the winter issue of Foreign Affairs — where he made a splash almost 40 years ago under a pseudonym, Mr. X.

George Kennan was a planner in the State Department during the creative, postwar years that produced the Marshall Plan, the Truman doctrine and the theory of "containment" in the Mr. X article. (As a State Department policymaker, he was not supposed to be talking policy out loud.)

The need is to 'look at matters on their merits, case by case.'

"Containment" was considerably transfigured over time into a moral crusade against communism. Mr. Kennan has steadfastly rejected this revisionism, and records now available of his policy contributions at the time bear him out.

But no matter. He returns to the subject, "Morality and Foreign Policy," at the age of 81 with every right to rethink whatever he did (or did not) set forth as a proper course of U.S. foreign policy 40 years ago in a far different world.

And once again he is being misconstrued — or at least oversimplified. He is not asking Americans, as some have suggested, to choose between the "national interest" and morality; still less is he advocating amorality in the conduct of relations with the rest of the world. He is arguing that much of what is now done in the name of morality is less moral, on balance, than the alternatives he recommends, when one considers the challenges that America confronts and the limited resources at hand to deal with them.

In 12 pages you cannot expect cases in point. He is offering a stimulant, not a blueprint; he is telling us how to think in a general way about international priorities.

Mr. Kennan's argument begins with a natural American compulsion to invest foreign policy with a heavy moral content; to intervene in near or distant parts of the world in the spirit of American values; to pass judgment on the political practices of others by measuring them against American practices. And all this is done in a state of confusion between morality and self-interest and by methods (covert operations and an absence of humanitarian concern) that would not pass the morality tests that are supposed to govern the way Americans conduct their internal affairs.

So Americans are not even morally consistent. And that is not the worst of it. In pursuit of overly ambitious foreign policy purposes in the name of morality, the United States is going broke. High budget deficits and adverse trade balances — compounded by military expenditures "so extensively out of reach of political control" as to constitute a "national addiction" — have Americans in such a condition of disorder that they cannot make effective use of their resources on the international scene. So "a first step along the path of morality," Mr. Kennan says, would be "the frank recognition of the immense gap between what we dream of doing and what we really have to offer, and a resolve ... to establish a better relationship between our undertakings and our real capabilities."

This, Mr. Kennan adds, must be measured against two "unprecedented and supreme dangers." One is the danger not just of nuclear war but of any major war — "an exercise which modern technology has now made suicidal all around." The second danger is the "devastating effect of modern industrialization and overpopulation on the world's natural environment."

The implication is clear. Mr. Kennan is recommending less preoccupation with ideology, political forms abroad and marginal and distant threats. He is cautioning against commitments to support "freedom fighters" everywhere. He is calling into question Americans' capacity to right every political wrong, especially in the indiscriminate way that often prevails.

Americans, he is saying, could destroy their own society in the process of imposing their values on others. The foreign policy he espouses would "seek the possibilities for service to morality principally in our own behavior, not in our judgment of others."

One yearns for practical guidelines, specifically applied to Afghanistan, Central America, military aid. But that, in a sense, is Mr. Kennan's singular contribution to those of a mind to do a little rethinking of policy. His general rules of engagement leave Americans free to do what he feels they by nature are disinclined to do: "overcome their tendency toward generalization" and "look at matters on their merits, case by case."

Where foreign governments offend U.S. interests "rather than just American moral sensibilities, protests and retaliation are obviously in order," Mr. Kennan concludes. "But then they should be carried forward frankly for what they are, and not allowed to masquerade under the mantle of moral principle."

Washington Post Writers Group.

Filipinos Can Expect Civil War

By Raymond Bonner

BACOLOD, Philippines — Two American diplomats came here from Manila recently to assess the political climate. Priests and journalists with whom they talked said their most frequent question was whether the militant opposition, the New People's Army, would give up and come down from the mountains if Ferdinand Marcos lost the presidency.

That is a reasonable inquiry. However, it is myopic to think that the election alone will defeat the Communists. For the Philippines appears to be hurtling toward a full-scale civil war that will not be averted by an election, no matter how free and fair. Not even if Mr. Marcos loses.

Perhaps a million or more Filipinos are sympathetic to the New People's Army, the Communist Party's guerrilla army, not because they believe in communism but because they view the guerrillas and the party as the only force capable of reordering social and economic structures and thus reducing the grotesque inequalities between rich and poor.

Although this is a Third World country, Manila is a First World capital. Patrons of New York's Lincoln Center would feel at home at festivities near Manila Bay. The Makati District, where office buildings and shopping centers march down broad boulevards, could be mistaken for Wilshire Boulevard in Los Angeles. Yet women making Reebok sneakers earn $2.50 a day, and several thousand families live amid the stench and infestation of a garbage dump, surviving on what mothers and small children can pick out of the refuse.

Nowhere perhaps is the disparity between the rich and poor more stunning, and the polarization of society more advanced, than here in Negros province, where sugar is king and sugar barons live in regal splendor, while old women and schoolgirls do back-breaking labor for a dollar a day. Getting rid of Mr. Marcos is not going to bring an end to the strife in Negros. During a recent mass demonstration, the first cry was "Enough hunger and poverty!" Ending the "U.S.-Marcos dictatorship" was last on the list of demands.

"What's needed in the Philippines is a radical redistribution of wealth, a government whose principal objectives are to feed, clothe and educate the poor." That is not rhetoric of a Communist Party member but a flat statement from a person with unassailable establishment credentials whose family has long had close ties with the government.

It is virtually certain that leaders of the New People's Army will not give up even if the government undertakes economic reform. Their aim is to establish a Communist state more or less along the lines of Mao Zedong's China. But economic reform could, by weaning away thousands of New People's Army supporters, make the coming to power of a Communist government less likely.

Yet any attempt to alter the country's social and economic structure is going to arouse fierce opposition among the rich, who are preparing for war against any government that tries to take away, or asks them to share, what they have.

According to U.S. diplomats, weapons are pouring into the country, intended not for the New People's Army, which relies largely on arms taken from government soldiers, but for the private armies of the wealthy, which are rapidly growing in number and strength. Some of the strongest private armies are commanded by the sugar lords in Negros.

Nor is there likely to be enthusiasm in Washington for large-scale Philippine government spending on the poor. The Reagan administration gave little support to the land reform program in El Salvador, and land redistribution is what the Negros farm workers demand so they can raise subsistence crops and reduce their dependence on sugar barons.

As the election draws closer, and as the Philippines becomes a major foreign policy concern, members of the U.S. Congress searching for solutions might follow the example of a West European diplomat: When he comes to Negros, he lives for a day or two with a farm worker's family, sleeping on a hard cot among the chickens and piglets and malnourished children.

The writer, a former New York Times correspondent, is working on a book about U.S. policy toward the Philippines during the Marcos era. He contributed this comment to The New York Times.

FROM OUR JAN. 13 PAGES, 75 AND 50 YEARS AGO

1911: French Airs Hurt German Ears

METZ — M. Samain, president of the club known as the "Lorraine Sportive," has been arrested, and the club is dissolved. This is the outcome of a turbulent meeting at Metz recently, when the Lorraine Sportive band played French airs which wounded German ears. Indeed, several heads were broken, the musicians in particular faring badly from the cudgels of sympathizers and antagonists. The press took up the matter in violent articles, the Metz population grew excited, the "musicians" were turned into heroes or traitors, according to the point of view. The Prefect of Metz, to cut matters short, has placed M. Samain in jail, and the "Berliner Tageblatt" states that the latter will be called down before the lower courts to answer the charge of resisting the police in the execution of its duty.

1936: Rhineland's Status Is Debated

PARIS — The demilitarized zone of the Rhineland has become a focus of interest, owing to attacks by the German press on the Franco-British mutual assistance agreement. In the reply to the German contention that this agreement constitutes a violation of the Locarno accords, which would entitle Germany to reconsider the only part of the military clauses of the Versailles treaty still standing, several French papers pointed out that the French and British general staffs only considered mutual assistance possibly arising out of the Italo-Ethiopian conflict. French opinion is that if the Germans moved troops into the Rhineland and began fortifying the zone, both the Locarno treaty [which in 1925 confirmed the demilitarization of the Rhineland] and the Covenant of the League of Nations would be invoked.

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LETTERS TO THE EDITOR

About Resolution 242

In trying to blame Yasser Arafat for so-called "terrorist attacks" in Israeli-occupied territories, columnist Charles Krauthammer (*"PLO Chief Is Responsible for Disciples," Jan. 6*) ignores that these are territories illegally occupied through war and that international law recognizes the right of people to resist military occupation of their country.

Security Council resolution 242 of 1967, "recognizing the inadmissibility of the acquisition of territory by war," calls for Israeli withdrawal. Israel and its international lobby have repeatedly called on the Palestine Liberation Organization to accept 242. That would be less hypocritical if Israel itself accepted it.

DAVID WATKINS, Director.
Council for the Advancement of Arab-British Understanding.
London.

Not All That Remote

If the late Dian Fossey's "remote mountain cottage" really is "near the top of ... 37,116-meter Mont Visoke," as the report of her murder states in your Dec. 30 issue, it is situated in the upper stratosphere. Please stop trying to discredit the metric measuring system.

RUDOLF VOLL.
Hong Kong.

Not a Joking Matter

I add my voice to the many other expressions of protest that I hope you have received regarding the "Dennis the Menace" cartoon published on Jan. 3. In that cartoon, Dennis suggests that the reason for Mr. Wilson's forgetfulness is "old-timer's disease." That comment on Alzheimer's disease displays a lack of appreciation for the pain experienced by victims of the disease and for their families. It perpetuates the insulting attitude toward senior citizens that absentmindedness is to be laughed at rather than recognized as a possible symptom of neurological disorder.

I am certain that the International Herald Tribune would be extremely hesitant to publish a cartoon making light of cancer, cerebral palsy or muscular dystrophy. Why not treat victims of Alzheimer's disease with the same degree of care and respect?

EFRAIM A. COHEN.
London.

هكذا من الاصل

هكذا من الأصل

Filipinos Can Expect Civil War

By Raymond Bonner

BACOLOD, Philippines — American diplomats from Manila recently to ass political climate. Friends and co ists with whom they talked th most frequent question was w the militant opposition, the Ne ple's Army, would give up ar down from the mountains if Marcos lost the presidenti That is a reasonable possibi ever, it is myopic to think election alone will defeat the munists. For the Philippines to be hurtling toward a full-sca war that will not be averted election, no matter how free Not even if Mr. Marcos loses

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Although this is a Third W country, Manila's Ninoy Aquino Int'l Airport, the World Trade Center, the Philippine Plaza Hotel, the Intercontinental Hotel, the Manila Hilton, the Manila Peninsula Hotel, the Makati business district, where the banks and multinational corporations have their offices, the Wilshire Boulevard-like Ayala Avenue, the shopping malls, the expensive restaurants, the Manila Polo Club, the Manila Golf and Country Club, the exclusive subdivisions of Forbes Park and Dasmariñas Village, where the Philippine elite live, are all as safe as they have ever been. Yet women in Manila are afraid to send their husbands and sons to the supermarket, afraid that they will be ambushed and killed in front of their wives and children.

Nowhere in the Philippines is the line between the fighting and the rest of life more distinct than in the southern province of Negros Occidental. While sugar barons live in their walled estates, where they are protected by armed guards, the countryside is a battleground. Negros Occidental has become the most dangerous place in the Philippines for foreigners.

"U.S. Marines are not going to be sent to Negros," a U.S. Embassy official said. "But the government forces are losing the war in the countryside. Unless the government can win the support of the people, it will lose the war."

Indeed, the New People's Army has grown from a few hundred guerrillas in 1969 to an estimated 16,000 fighters today. Its influence is felt in every province in the country, and in the cities as well. Its political cadres have infiltrated the labor movement, the church, the media, the universities and the government bureaucracy.

Not a [illegible]

U.S. Calls Sanctions on Syria Possible, but Not Planned Now

By Bernard Gwertzman
New York Times Service

WASHINGTON — Administration officials say that there is a possibility that economic sanctions similar to those imposed on Libya might be levied against Syria but that there are now no active plans to do so.

Amid sometimes contradictory comments by different officials, Robert B. Oakley, the head of the State Department's counterterrorism office, said Friday that he and other officials stood by a statement Thursday that there could be sanctions against Syria if its support for the Abu Nidal Palestinian group could be traced to future terrorist actions.

The administration has accused the Abu Nidal group, which is opposed to the mainstream Palestine Liberation Organization faction led by Yasser Arafat, of carrying out terrorist attacks, including the attacks Dec. 27 at the Rome and Vienna airports.

Mr. Oakley said there were no plans for sanctions against Syria now because the United States lacked the direct evidence against Syria that it says it has against Libya linking it to the airport attacks. Those attacks left 19 people dead, including five Americans and four of the attackers.

Mr. Oakley was asked Thursday whether sanctions might be levied against Syria and replied, "It could possibly come to that."

Officials in the Middle East bureau of the State Department sought earlier Friday to limit the impact of his comment by saying there were now no plans to levy sanctions against Syria.

Mr. Oakley said the prime U.S. concern was the expansion of Abu Nidal terrorist activities since the group moved much of its organization in 1984 from Damascus to Tripoli, the Libyan capital.

"But we're not saying, and we don't believe in our consultations with other governments, whether they be Arab or European, that we're dealing exclusively with Libya," Mr. Oakley said. "That happens to be the question of the moment. The media are all talking about Libya. In response to that, we put out a white paper about Libya. Then people say, 'Well, why have you forgotten Syria?'

"We haven't forgotten Syria," he said.

■ **Syrian Aides Dismayed**

Elaine Sciolino of The New York Times reported from Damascus:

Warnings by Reagan administration officials that there was a possibility of imposing punitive sanctions against Syria stunned senior Syrian officials and Western diplomats here Saturday.

Although the U.S. officials emphasized Friday that there were no immediate plans to impose such sanctions, officials said the remarks could damage the already strained relations between the United States and Syria.

"No matter what we do, our thoughts are not listened to in the United States," an aide to President Hafez al-Assad said. "If we are helping you to regain your kidnapped people and you continue to make senseless speculations, what can we now do for them?"

Syria has been involved in negotiations to free four Frenchmen and six Americans held by radical groups in Lebanon, and it helped negotiate the release of Americans on a Trans World Airlines plane hijacked to Beirut last June.

Syria has denied that it offers Abu Nidal himself or members of his group haven in Syria. But a Syrian official said it was conceivable that members of the organization could live there.

Abu Nidal "is a Palestinian," he said, "and it's not very easy for us to forbid Palestinians from coming into our country."

Representatives of Abu Nidal maintain two apartment offices in central Damascus, according to a Western ambassador. One functions as an information center, the other as a sort of foreign affairs bureau, he said.

A few days ago, an Austrian magazine published an interview with Walid Awdah, identified as a spokesman for the Abu Nidal command group.

Mr. Awdah was quoted as saying: "We support the attacks at Vienna and Rome airport's El Al counters as a legitimate form of our struggle. Unfortunately, we cannot claim credit for these deeds."

■ **'Libyan Connection'**

Secretary of State George P. Shultz said Sunday there was a "very definite Libyan connection" to attacks on the Rome and Vienna airports despite reports the terrorists were trained in an area controlled by Syria, United Press International reported from Washington.

"Libya has provided financial support, we know that, to the terrorist groups, particularly the Abu Nidal group," Mr. Shultz said in a television appearance.

Mr. Shultz said some of the terrorists in the airport attacks carried Tunisian passports that had been confiscated by Libyan authorities, "so they had to come from Libya.

"That doesn't mean everything that was done was connected to Libya," he said, "but surely there is a very definite Libyan connection to this and a whole pattern of terrorist activities."

Mr. Shultz was careful to draw a distinction between Libya and Syria. Mr. Shultz said Syria's "behavior toward all of these things is rather different than Libya's," and "we are working with Syria" on a number of matters that he did not identify.

Reuters

Death March in Colombia

A Colombian guerrilla faction says it has sentenced to death these five men and a boy as army spies. Javier Delsado, head of the Ricardo Franco Front, said he was proud of having killed 158 guerrilla members accused as spies, some women and children. Many of their bodies were found in mass graves last month in southwestern Colombia. The six were photographed last week in a mountain camp.

U.S. View Of Vietnam Out of Focus, Observers Say

(Continued from Page 1)

ism, Hanoi has been unable to suppress private traders who still manipulate the rice market.

But, out of pride and ideological orthodoxy, Vietnamese leaders almost always refer to the country as "reconstructing" rather than "developing." They insist that diplomatic relations with Washington would be "of mutual benefit."

Foreigners who live in Hanoi say that while the Vietnamese people may seem secretive or uncommunicative, they are neither inherently militaristic nor highly disciplined, as they have been portrayed in the West, except in the army.

The remarkable self-sacrifice that sustained a 30-year fight for independence, diplomats and some Vietnamese civilians suggest, is not translating easily into willingness to die for Cambodians. The new war is categorized in Hanoi as "implementing an international obligation."

Many Vietnamese also cling to some stereotypical pictures of Americans.

"Americans are stingy and selfish; they do not pay attention to the sufferings of other people," Hong Ha, the editor of the Communist Party newspaper and a member of the party's Central Committee, said last week.

His remark, which he said reflected letters the newspaper had received from readers, referred to the well-publicized U.S. failure to offer aid to Vietnam last fall after storms left crops ruined and hundreds of thousands homeless.

The Vietnamese also resent Washington's insistence that their country account for nearly 1,800 missing U.S. servicemen, or MIAs. That figure is a small fraction of the number of Vietnamese still unaccounted for in their own land.

Craxi Warns Of Further Terrorism

By E.J. Dionne Jr.
New York Times Service

ROME — Prime Minister Bettino Craxi has warned Parliament that instability in the Middle East has created a "high risk" that Italy will face new terrorist attacks.

In his semiannual report to Parliament on the activities of Italian intelligence services, Mr. Craxi said Italy had uncovered about 70 foreign spies in the last six months. He said the large number suggested that Italy was facing an unusual period of violence.

The prime minister, leader of the Socialist Party, said the country faced a "permanent danger posed by certain Middle East groups whose terrorist initiatives can be seen in the wider context of international subversion."

His report followed an attack at the airport here Dec. 27 in which 16 people were killed. Three people were killed in a similar attack on the same day in Vienna.

Several Italian newspapers reported Sunday that two Soviet reconnaissance planes violated Italian airspace Thursday near the NATO base in Sigonella, Sicily.

One of the papers, the Milan daily Corriere della Sera, also reported that a Soviet spy ship, the Vertikal, was anchored off the Italian coast and was monitoring radio traffic between the base and American and Italian planes.

Mr. Craxi's report on terrorism, theoretically secret but in fact widely circulated, said divisions within the Palestinian movement and among Arab governments could create a climate for further attacks on Italian soil.

Italy faced a wave of domestic terrorism in the late 1970s and early 1980s from groups on both the extreme left and the extreme right.

Mr. Craxi said the domestic terrorism had largely abated, though he reiterated past statements warning of a danger of terrorist attacks throughout Europe against North Atlantic Treaty Organization targets.

Reflecting fears that terrorists maintain an infrastructure in Italy for their actions, the report speculated that domestic criminal groups could be providing arms to both Italian terrorists and foreigners operating in Italy.

Physicists Questioning Laser Defense

(Continued from Page 1)

major cities by fire. The attack would proceed city by city, the attack time for each city being only a matter of minutes. Not nuclear destruction, but Armageddon all the same."

Lasers "have the potential of initiating massive urban fires and even of destroying the enemy's major cities by fire in a matter of hours," according to the article by Caroline L. Herzenberg, a government physicist at the Argonne National Laboratory.

"Such mass fires might be expected to generate smoke in amounts comparable to the amounts generated in some major nuclear exchange scenarios," warned the article in the current issue of Physics and Society, a publication of the American Physical Society.

That could cause "a climatic catastrophe similar to nuclear winter," a reference to the disastrous lowering of the Earth's temperature many scientists believe would result from the smoke and dust generated by a nuclear war.

The R & D study, which was circulated among government weapons scientists, did not mention a nuclear winter but did emphasize that lasers were not intrinsically defensive weapons and could be used to start massive fires.

"The lasers can be employed in a manner not contemplated by the SDI," said Albert L. Latter and Ernest A. Martinelli, who wrote the eight-page R& D study and are advocates of a stronger U.S. defense.

"Specifically," they wrote, lasers "can be targeted against the same entities they were designed to protect: the cities."

"After spending hundreds of billions of dollars we would be back where we started from: deterrence by retaliation. Our cities would be hostage to lasers instead of nuclear weapons," the report said.

The authors suggested that laser weapons might also be used against Soviet conventional forces.

"For those who have advocated limited nuclear options against the Soviet Union itself, limited laser options would produce less collateral damage and be just as effective otherwise," they wrote.

The danger of laser-induced fires had not been much noticed by critics or proponents of the space defense system until the appearance of the article and the R & D study. A spokeswoman for the SDI Organization, which coordinates research on the system, said after checking with other officials that "lasers could start fires."

But the spokeswoman, who asked for anonymity, added that "this is not a problem that we are addressing at this time. It is not the intention of SDI to start fires. This is an anti-ballistic program."

She also denied that lasers designed for defense could be used as offensive weapons.

"They would have to be designed differently to cause fires," she said.

Theodore A. Postol, until recently adviser on nuclear weapons to the chief of Naval Operations, and an expert on the implications of fire storms, said:

"If you were attempting to set fires with an optical laser that was already sufficiently powerful to attack hardened ICBM boosters, there is no question that such a device could also be used to create mass fires of enormous scale and ferocity — mass urban fires potentially larger and more intense than those created by the great incendiary raids on Hamburg and Dresden in World War II."

Israeli Policeman Killed, Another Hurt In Attack in West Bank City of Nablus

Washington Post Service

JERUSALEM — An Israeli border policeman has been shot to death and another wounded by Arab gunmen in the center of the West Bank city of Nablus.

The killing Saturday was similar to a wave of hit-and-run attacks on Israeli soldiers and civilians last summer in crowded markets of Arab towns and cities. The attacks led to a security clampdown in the occupied territory.

The shootings also underscored the danger to increasing numbers of Israelis who regularly visit West Bank Arab markets on Saturdays looking for bargains.

The Israeli Army command said that Corporal Jamil Sares, 46, a Druze member of the paramilitary border police since 1967, was gunned down outside a clothing store in Nablus's main commercial street while shopping with his wife and children.

Rejecting Hostility, Qadhafi Invites Reagan to Visit Libya

(Continued from Page 1)

facts of life in the West, an isolated leader who often displayed an almost childlike naiveté.

He expressed astonishment, for example, when told by one reporter that Mr. Reagan was loved by many Americans.

"They love him?" Colonel Qadhafi asked incredulously. "But he has created so many crises in the world," he said, shaking his head in disbelief.

Colonel Qadhafi, 44, is the son of an illiterate Bedouin tribesman. He went to school for only a few years and is basically self-taught. He learned English in Tripoli and in Wilton, England, where he was a junior officer in a staff course in signals communication in 1966.

He said Mr. Reagan was a weak man who was "under the domination of the Zionists." President Jimmy Carter was also weak, he said, "but he was a good man."

Throughout the session on Thursday, Colonel Qadhafi posed his own questions to reporters. He asked, for example, whether Americans did not feel that their country was being destroyed and their relationship with the Arabs damaged by the country's ties to Israel.

"Don't you realize that you are being pushed to the brink of war?" he said. "Of course," he continued, "none of you is Jewish."

One reporter objected. Her father was Jewish, she said.

"I see," the colonel replied. "But your mother?"

She was Roman Catholic, the reporter replied.

"To which one do you belong?" Colonel Qadhafi pressed.

"To both of them," the reporter responded. "And to my country."

"But your father, he is not a Zionist?" the colonel asked hopefully.

"Oh, yes," the reporter said. "He is an ardent Zionist, Colonel Qadhafi, as are many Americans."

"But how can they not understand the suffering of the Palestinian people?" the colonel asked. "People whose land has been taken away?"

Colonel Qadhafi used the interview to repeat a conciliatory message on terrorist attacks, vowing that he would try to persuade what he called his Palestinian brothers to limit their struggle to "military Israeli objectives."

Advisability Of Reprisals Questioned

By Dan Fisher
Los Angeles Times Service

JERUSALEM — A top national security adviser to Prime Minister Shimon Peres has questioned the advisability of military retaliation against Libya for last month's attacks at the Rome and Vienna airports.

He said that "the best, or let's say the successful way to combat terrorism" is by assassinating terrorist leaders.

The comments by Brigadier General Gideon Machanaimi came during an interview broadcast Saturday by Israel radio. As deputy adviser to the prime minister for anti-terrorist warfare, General Machanaimi is the top professional in an office headed by a civilian political appointee.

Israel is known to have sent assassination teams against terrorist leaders after the death of 11 Israeli athletes in the 1972 Munich Olympics attack.

An Israeli team operating in the Norwegian resort town of Lillehammer in July 1973 shot to death an innocent waiter in a case of mistaken identity. The Israelis had suspected the waiter, an Arab, of belonging to Black September.

To eliminate terrorists, General Machanaimi said, "is very complicated. It takes time. You have to use cooperation with other countries." However, he added that after a terrorist leader "has been assassinated, we found a long period of peace in the area."

U.S. Says Boycott Will Last While Libya Aids Terrorism

(Continued from Page 1)

ous years, strains developed in the Atlantic alliance as European countries resisted U.S. pressure to impose sanctions.

Mr. Reagan was questioned by reporters for five European newspapers, The Times of London, Le Monde of France, La Stampa of Italy, Die Presse of Austria and the Frankfurter Allgemeine Zeitung of West Germany.

Administration officials voiced satisfaction Saturday with the decision by the Canadian government on Friday to impose some restrictions on trade with Libya.

Canada ruled out some strategic items, such as oil field drilling equipment, and barred government aid to companies that export to Libya.

The U.S. administration earlier praised the Italian government for its decision to halt arms sales to Libya.

Mr. Reagan said in the interview that before the United States would lift the sanctions, Colonel Qadhafi "would have to reveal by action that he has severed those connections and is no longer backing these terrorist groups."

When a reporter said, "So, you would have to be satisfied there was no financial link, no training camps left in Libya?" Mr. Reagan replied, "Right."

■ **EC to Meet on Sanctions**

The Dutch Foreign Ministry said that foreign ministers from the 12 European Community nations would meet this month in the Hague to discuss Mr. Reagan's call for economic sanctions against Libya, The New York Times reported earlier from Paris.

A Foreign Ministry spokesman said Friday that the Netherlands, which currently serves as chairman of the foreign ministers council, had proposed Jan. 21 for the meeting.

Anti-Racism Hamburg Rally

The Associated Press

HAMBURG — Six thousand people paraded through central Hamburg on Saturday in a protest against racism. They chanted "Nazis out!" and carried banners commemorating a Turkish guest worker who was beaten to death by West German youths three weeks before.

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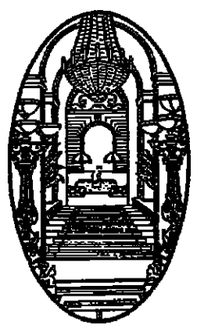

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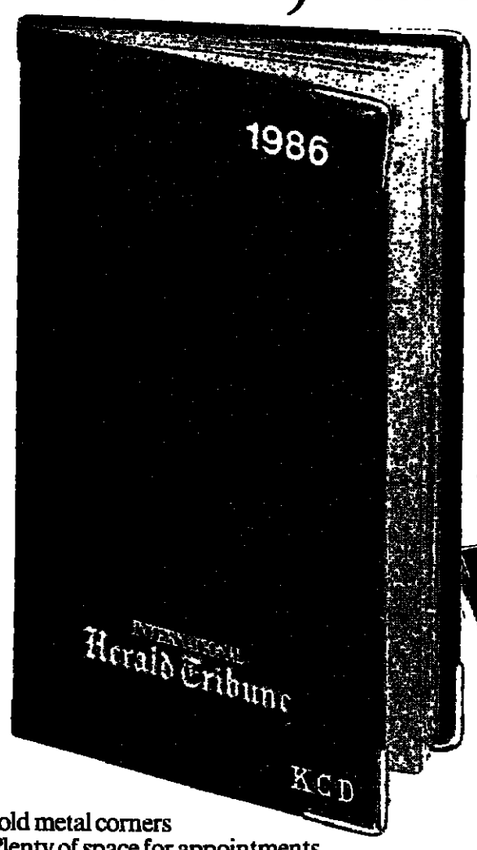

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RECENT ISSUES

Jan. 10

Amt	Security		Mat	Str/Conv	Issue Price	Mid Price	Yield
y 20000	Allied-Signal Inc	6¾	'93 Jan	s	101	99¾	6.80
$ 150	British Petrol Capita	9¾	'93 Jan	s	100¾	99½	9.72
$ 300	Dart & Kraft Finance	10¼	'96 Jan	s	101½	101¼	10.04
y 10000	Dsx Corporation	6½	'96 Jan	s	100¾	98½	4.96
$ 200	General Motors Accept	9¾	'93 Jan	s	100	101½	9.45
$ 125	Statoil Den Norske	7½	'96 Jan	s	100¾	98¾	9.51
$ 100	Emerson Elec Co X/w	9¾	'96 Dec	s	100¾	99	9.78
$ 150	Procter & Gamble	9¾	'91 Jan	s	100¾	98¼	9.85
$ 75	Public Serv Elec Gas	9¾	'96 Jan	s	99¾	97½	10.16
$ 200	Olympia & York Maiden	10¼	'95 Dec	s	99¾	101	10.21
$ 185	Equitable-Lord Realty	10⅛	'95 Dec	s	99¾	101¼	10.17
$ 100	Equitable-Lord Realty	10¼	'97 Dec	s	99¾	100¾	10.20
ecu 40	Copenhagen City	9	'95 Dec	s	100¾	98¾	9.19
dm 100	Japan Finance Municip	6¾	'92 Dec	s	99¾	100	6.57
$ 300	Inter-American Dev Bk	9¾	'95 Dec	s	100	100½	9.42
£ 20	Sainsbury J	10⅞	'93 Jan	s	100	97½	11.41
$ 150	Procter & Gamble	9¾	'92 Dec	s	101¾	101	9.66
$ 100	Nippon Telegra Teleph	9½	'95 Dec	s	100¾	101	9.34
$ 100	Exportfinans	10	'96 Jan	s	100¾	102¾	9.54
dm 25	Marutan Showa W/w	3	'90 Dec	s	100	119¾	[illegible]
$ 150	Scandinavian Airlines	10¼	'95 Nov	s	100	101¾	9.83
$ 250	General Electric Cred	9¾	'92 Dec	s	100	100¾	9.56
$ 300	Philip Morris Co Inc	9¾	'89 Dec	s	100¾	100¾	9.34
$ 200	Philip Morris Co Inc	10	'95 Dec	s	99¾	100¾	9.87
dm 150	Inter-American Dev Pp	7¾	'95 Dec	s	100	[illegible]	6.84
ecu 45	Ford Credit Canada	8¾	'95 Oct	s	100¾	98	9.23
dm 150	Credit Suisse Pan W/w	2¾	'95 Dec	s	100	109¾	2.57
dm 150	Credit Suisse Pan X/w	2¾	'95 Dec	s		72¼	3.65
dm 200	Corn Products Cpc	6¾	'91 Jan	s	100	97¾	7.01
dm 150	Amca Overseas Finance	7¼	'92 Dec	6	99½	98	7.36

STRAIGHT BONDS
All Currencies Except DM

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
	AUSTRALIA						
	[illegible]						
	AUSTRIA						
	[illegible]						
	BELGIUM						
	[illegible]						
	CANADA						
	[illegible]						
	DENMARK						
	[illegible]						
	FINLAND						
	[illegible]						
	FRANCE						
	[illegible]						
	GERMANY						
	[illegible]						
	ICELAND						
$ 20	Iceland	9	'87 Feb	98½	10.47	11.57	9.14
$ 50	Iceland	13¾	'92 Dec	105	11.65	11.23	13.14
	IRELAND						
£ 50	Ireland	11¾	'94 Apr	100	11.35		11.38
	ITALY						
	[illegible]						
	JAPAN						
	[illegible]						
	LUXEMBOURG						
	[illegible]						
	MEXICO						
	[illegible]						
	MISCELLANEOUS						
	[illegible]						
	NETHERLANDS						
	[illegible]						
	NEW ZEALAND						
	[illegible]						
	NORWAY						
	[illegible]						
	SOUTH AFRICA						
	[illegible]						
	SPAIN						
	[illegible]						
	SUPRANATIONAL						
	[illegible]						
	SWEDEN						
	[illegible]						
	SWITZERLAND						
	[illegible]						
	UNITED KINGDOM						
	[illegible]						
	U.S.A.						
	[illegible]						

HIGHEST YIELDS
to Average Life Below 5 Years

Amt	Security	%	Mat	Middle Price	Mat	Ave Life	Curr
$ 12	Mortgage Bank Denmark	6⅛	'86 Jan	99¾	17.98	19.37	6.38
$ 15	Ward Foods O/s Capita	5¾	'88 Nov	75½	17.47	18.46	7.62
$ 125	Pemex Petroleos Mexic	11½	'88 Jul	94½	14.19	14.65	12.17
$ 12	Slough Estates Lux	8¾	'86 Feb	99¾	13.57	13.57	8.79
$ 50	Uer O/s Finance	13½	'88 Oct	101	12.98	12.89	13.37
$ 30	Mexico	8¾	'91 Dec	86	12.27	12.89	10.17
$ 40	Mexico	8¾	'87 Mar	97	11.28	12.81	8.76
$ 25	South Africa	7¾	'87 Dec	93½	12.33	12.50	8.38
$ 40	Trailer Train Finance	13¾	'92 Nov	108¾	12.49	12.28	12.80
c$ 50	General Motors Accept	9¾	'86 Feb	97	26.84	27.21	9.60
ff 100	Oslo City	7⅛	'87 Mar	92¾	14.51	19.22	7.82
ff 200	Renault	7½	'87 Mar	91½	14.58	18.14	7.92
ff 100	Bsof Transatlantica	7½	'87 May	91½	15.01	17.77	8.09
ff 50	Bass Charrington	7½	'87 Aug	91¾	13.83	14.88	8.28

HIGHEST YIELDS
to Average Life Above 5 Years

Amt	Security	%	Mat	Middle Price	Mat	Ave Life	Curr
$ 40	Ottawa-Carleton	14¼	'97 Jun	113	12.52	11.56	13.05
$ 75	Caisse Nat Autoroutes	15¾	'97 Mar	119¾	12.57	11.56	13.33
$ 50	Ingersoll-Rand Intl	13¾	'95 Oct	107½	11.89	11.56	12.33
$ 200	World Bank	8¾	'02 May	88½	10.84	11.52	10.25
$ 50	Dome Petroleum	11	'94 Jul	93¾	11.20	11.46	10.74
$ 50	Hudsons Bay	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$ 50	Macmillan Bloedel	9¾	'92 Jun	93	10.48	10.90	9.95
$ 75	Intl Standard Electri	12	'96 Mar	105	11.34	10.83	11.43
$ 50	Macmillan Bloedel	9	'92 Feb	93	10.62	10.77	9.68
c$ 15	Canadian Utilities	17	'96 Dec	118½	12.64	12.94	14.35
£ 15	Eib Europ Invest Bank	12	'91 Jul	100½	11.81	11.86	11.94
£ 30	Indust Bank Japan Fin	11¾	'95 Dec	108	11.62	11.59	11.63
c$ 40	Royal Bank Of Canada	10	'94 May	98	10.35	10.41	10.20
c$ 40	Royal Bank Of Canada	9	'92 Feb	95	10.13	10.28	9.47

HIGHEST CURRENT YIELDS

Amt	Security	%	Mat	Middle Price	Mat	Ave Life	Curr
$ 175	Mexico	18½	'97 Jul	107	17.00		17.29
$ 75	Pemex Petroleos Mexic	17¾	'88 Nov	101½	15.14		17.24
$ 75	Transcanada Pipelines	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
$ 50	Occidental Intl Finan	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
$ 60	Gulf States O/s Finan	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
$ 75	Ohio Edison Finance	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
$ 75	Genstar	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
$ 60	Carolina Power Light	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
c$ 50	Nacional Financiera	17¾	'87 Mar	101	14.65		17.57

(Continued on Page 8)

ZERO-COUPON BONDS

Jan. 10

Security	Final Maturity	Original Offerings Amt	Year	Price	Offered Price
	[illegible]				

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International Herald Tribune
BUSINESS/FINANCE
MONDAY, JANUARY 13, 1986

EUROBONDS

New York's Ups and Downs Bring Euromarket to Halt

By CARL GEWIRTZ
International Herald Tribune

PARIS — The Eurobond market stumbled to a halt last week, leaving the bulk of the $3.5 billion worth of new issues floated in the first euphoric days of the new year sitting with underwriters, as investors tried to assess where interest rates are headed.

The confusion was sowed by the New York bond market: First by its weeks-long ebullience, fueled by the conviction that U.S. interest rates were set to drop, which drove bond yields down; then by last week's sudden reversal following a larger-than-expected rise in employment figures.

The data was interpreted to mean that the economy did not need the lift that a rate cut would offer and triggered a sharp sell-off in the New York bond market, causing yields to rise.

Seen from Europe, the shift in moods in the New York market is manic — excessively optimistic during the rally and currently unreasonably pessimistic. As a result, the rise in Eurobond prices lagged considerably behind those of New York during the rally and have fallen less during the sell-off.

Eurobond Yields
For Week Ended Jan. 8

U.S.$ lg term, Int'l inst.	9.67 %
U.S.$ long term, ind.	10.09 %
U.S.$ medium term, ind.	9.99 %
Can.$ medium term	10.31 %
French Fr. short term	10.84 %
Sterling medium term	11.62 %
Yen medium term, Int'l inst.	6.36 %
Yen lg term, Int'l inst.	6.50 %
ECU short term	8.57 %
ECU medium term	9.24 %
ECU long term	9.26 %
EUA long term	8.82 %
LuxF med term Int'l inst.	10.03 %
LuxF medium term	9.29 %

Calculated by the Luxembourg Stock Exchange.

Market Turnover
For Week Ended Jan. 9
(Millions of U.S. Dollars)

	Total	Dollar	Non-dollar Equivalent
Cedel	9,347.2	6,039.4	3,307.8
Euroclear	14,278.5	11,499.9	2,778.6

The view here is that bond prices, having risen too far too fast, were long due for a downward correction to bring yields into line with other interest rates. While that adjustment will entail some upward movement in coupons, most bankers believe that the overall interest rate structure is not headed higher and most likely will exhibit a downward trend, although not immediately.

And that means that coupons have to be pegged less aggressively than they have been.

EARLY IN THE WEEK, for example, the dollar sector of the Eurobond market broke through the 9-percent coupon level for paper maturing in five years — the lowest level since the mid-1970s. But by the end of the week the issues were all "under water," trading at discounts exceeding the full commissions paid to underwriters.

Finland, Mutual Benefit and Norsk Hydro set coupons of 8½ percent and Manitoba 8¾ percent. The concentration in the five-year area reflected the borrowers' aim to achieve the lowest possible cost of funding. The less well-known Paccar Financial put a 9⅛-percent coupon on its paper.

Late Friday, Chrysler Financial issued $150-million of five-year notes bearing a coupon of 9¼ percent and priced at a premium of 100⅛. Investors have "put" options to redeem the notes early: after two years at a price of 99¼, after three years at 99½, or after four years at 99¾. Measured to the first put in two years, the company is paying 1.05 percentage points over the yield on Treasury bills — a level that some bankers said was too stingy for a borrower whose debt is rated triple-B, the lowest rating to be considered investment grade.

The psychological impact of having a coupon over 9 percent is important. Some bankers noted, for example, that five-year bank deposits are currently available at 9¼ percent, representing a huge differential against bonds carrying a coupon of 8½ percent. While time deposits are not really comparable to tradable securities, the point is that there are more remmunerative outlets for investors' cash than Eurodollar bonds paying 8½ percent.

A month ago, the differential between the bond and bank deposit markets was about ⅜ percentage point.

The longer-dated Eurodollar bonds also suffered last week. Mutual Benefit, in addition to its five-year issue, offered 10- and 12-year bonds as well as a 20-year zero-coupon issue. All four, raising a total of $475.2 million, are backed by commercial mortgages that are guaranteed by Mutual, an insurance company, giving the issues a triple-A rating.

But the five-year notes were down 3 points, the 10-year paper was down 3¼, the 12-year issue was down 3⅛ and the zeroes were down 1⅛. In percentage terms the zeroes were the biggest losers as the issue price was only 14½.

The one area of the bond market that appears to be indifferent to worries about interest rates is equity-linked issues.

UBS Finance sold $300 million of eight-year bonds bearing warrants to buy nonvoting shares of Union Bank of Switzerland. The bonds offered at par bearing a coupon of 5½ percent ended the week at 103.

There are two sets of warrants: one to buy four shares from

(Continued on Page 13, Col. 1)

Colombia Intervenes On Bank

3 Finance Firms Also Taken Over

United Press International

BOGOTA — President Belisario Betancur of Colombia has nationalized a major private bank and three related financial institutions that had been suffering difficulties since 1983.

The government will inject $87 million into Banco de Colombia, according to an official announcement on Friday.

It will inject $40 million into Grand Colombian Financial Corp. and a total of $25 million for the financial companies Pronta and Grand Colombia Commercial.

Banco de Colombia has foreign debt of $150 million. The government will assume payment of the debt, the announcement said.

All four entities are subsidiaries of Grand Colombian Financial Group.

In December 1983, Mr. Betancur intervened to remove Jaime Michelsen as director of Grand Colombian.

Authorities asserted that officials of the bank group had mismanaged funds of shareholders and clients. Mr. Michelsen reportedly fled to Miami to avoid an arrest warrant issued during the investigation of the case.

In 1982, the government took over another bank, Banco del Estado, after alleged mismanagement by its officials.

■ Coffee Price Increase

Government sources said Friday that the Colombian government will raise prices paid to growers at a meeting of the growers and government officials on Monday, United Press International reported from Botogá.

An economic source said President Betancur was preparing guidelines for administering higher coffee revenues Colombia is expecting this year as a result of rising world prices. Officials anticipate Colombia will earn $3 billion from coffee exports in 1986.

Growers had requested a price increase from the current level of around $140 for 275 pounds (124.7 kilograms) of coffee. They are paid by a government-run wholesale organization, which sells the coffee to foreign buyers.

The sources estimated that the price to growers would rise around 20 percent to about $170. The growers belong to the National Coffee Growers Committee.

World coffee prices started climbing in December, jumping to $1.80 from $1.25 a pound when speculators began to confirm drought damage to as much half of Brazil's coffee crop.

Last week, coffee prices rose to $2.80 a pound, the highest since $3.21 a pound in April 1977.

Brazil is the world's leading coffee producer. Colombia is second.

Colombia's government has urged unity among coffee growers to keep prices at moderate levels. Officials want to avoid consumer resistance and boycotts.

Drexel Tries to Widen Its Business

Golden Days Of 'Junk Bonds' Are on the Wane

By Leslie Wayne
New York Times Service

NEW YORK — Drexel Burnham Lambert Inc., investment banker to the most feared corporate raiders in the United States, is being squeezed.

New competition and potential regulations have cast a long shadow over its lucrative "junk bond" business, which involves raising money for companies that are less than prime credit risks. Drexel, of late, has gone on a spending spree to get into new businesses. But it is unclear whether the firm can parlay its success in junk bonds — high-yield, high-risk securities — with enough speed and savvy to break into Wall Street's top tier.

"Drexel is still relatively narrowly based on the junk-bond leg of the stool," said Samuel L. Hayes 3d, investment banking professor at the Harvard Business School. "And they are trying to convert this junk-bond phenomenon into a permanent position in the big leagues of investment banking."

Although junk bonds have put Drexel on the map — and turned it into one of Wall Street's most profitable firms — Drexel executives are rankled when the firm is seen as a junk-bond house alone.

"The glare is so bright on high-yield bonds that people forget what else we're doing," said

The New York Times
Frederick H. Joseph of Drexel Burnham Lambert Inc.

Frederick H. Joseph, Drexel's chief executive.

And it is that "what else" that will determine Drexel's fate in years to come.

It has invested heavily in its municipal-finance department, underwriting about $15 billion in offerings, up from $1 billion two years earlier. It has made a leap into mortgage-backed securities, creating from scratch a new department that now commands a solid spot in Wall Street's second tier. And it is carving out new niches, such as specializing in redrafting the capital structures of companies on the brink of bankruptcy and beefing up trading of high-grade bonds.

In moving into these areas, Drexel is attempting to play off its expertise in raising capital for young or troubled companies and in structuring complex and even daring transactions. And it is trying to maintain an internal spirit of entrepreneurship by organizing the firm as a set of decentralized units designed to lure creative people with highly specialized skills.

"The trick is to get the best people," said Robert E. Linton, chairman. "Our success depends on that. Forget capital. You can always get that if your firm is being run well. If we get the smartest people and they work hard, we'll do the business."

All this grew out of a series of strategy sessions at Drexel three years ago, when it decided its future depended on diversification. Since then, it has been hiring by the hundreds, luring top students from business schools and seasoned bankers from rival concerns with the promise of high salaries — and the hint of a potential windfall should the firm go public.

"We pay well on purpose,"

(Continued on Page 13, Col. 1)

Pennzoil Files Appeal of Ruling On Texaco Bond

New York Times Service

DALLAS — Pennzoil Co. has filed an appeal of a federal court ruling that Texaco Inc. should not have to put up more than $1 billion in security while it appeals an $11.1-billion damage award to Pennzoil.

Pennzoil, which filed its appeal in the 2d U.S. Circuit Court of Appeals in New York, said Friday that it was "confident" it could have the ruling overturned at a hearing within the next two weeks.

Earlier Friday, U.S. District Judge Charles L. Brieant, in White Plains, New York, had issued an order restraining Pennzoil from seizing Texaco's assets while it appeals the damage award. Under state law in Texas, where Pennzoil won its damage case in a jury trial in November, Texaco would have been required to post a $12-billion bond to appeal, an amount that Texaco had said could drive it into bankruptcy.

The case arose from Texaco's $10-billion acquisition of Getty Oil Co., which previously had agreed to a partial merger with Pennzoil.

J. Hugh Liedtke, chairman of Pennzoil, said the company had asked the appeals court to return the legal struggle back to Texas courts.

"We've asked for an expedited hearing," he said. "We should have it scheduled for within seven to 10 days."

Mr. Liedtke said Pennzoil was willing to let District Judge Solomon Casseb Jr. in Texas determine the size of the bond that Texaco would have to post. Judge Casseb presided over the end of the case in Texas and upheld the jury award against Texaco.

Pennzoil is based in Houston, and Texaco has its headquarters in White Plains.

G. Irvin Terrel, a lawyer for Pennzoil said Saturday that Judge Brieant was "interfering with the state court's right to protect" the victor of a damage suit.

If his ruling stands, Mr. Terrel said, it would give Texaco a chance to sell assets, put other creditors ahead of Pennzoil and "do everything it could to frustrate our ability to collect."

Judge Brieant had concluded that Texaco had a "likelihood of success" in its appeal in Texas and said it was his opinion that Texaco would owe no more than $800 million if the Texas courts ultimately upheld the verdict.

"The point is that federal courts do not intrude on a state court trial on an appeals matter," Mr. Terrel said. "A losing party like Texaco must exhaust its rights before the trial court and the state appeals courts before it can ever go to a federal court."

Soviet Failed To Meet '85 Goal For Oil Output

The Associated Press

MOSCOW — The Communist Party daily Pravda has reported that the Soviet Union failed to meet oil production targets for 1985 and that output is behind schedule for 1986.

In a front-page article on Saturday, Pravda criticized oil industry officials for delays in carrying out plans to boost production. Similar criticism was carried in the national newspaper Sovietskaya Rossiya.

They blamed oil industry and government officials for failing to make technological improvements fast enough, especially in the Tyumen region of western Siberia, which produces about 60 percent of Soviet oil.

Pravda did not provide figures. The 1985 target was about 630 million tons. Last year was the fifth consecutive year that the Soviet Union failed to fulfill its oil production plan.

Also on Saturday, Vladimir M. Lukyanenko, a Ukrainian engineer, was named minister for chemical and petroleum machine building, replacing Konstantin I. Brezhov, 78, who had held the job for more than 20 years. Mr. Brezhov was reported to have retired for health reasons.

Biotech Firms Luring More Investors

By Nell Henderson
Washington Post Service

WASHINGTON — Biotechnology companies are generating renewed interest on Wall Street and Capitol Hill as they produce new profits, products and policy questions.

Pharmaceutical, chemical and agricultural companies using new methods of genetic engineering will continue to be favored by investors during 1986, helped by the successes of a few companies in 1985, industry analysts said.

Biotech companies also expect Congress to continue debating the way federal agencies evaluate the new technology's products and possible risks.

The industry hopes to build on the enthusiasm generated last year by new products that offer hope in the battle against cancer, by federal approval of a human drug produced through gene-splicing and by the rapid commercialization of tests to rid the blood supply of the virus that causes acquired immune deficiency syndrome, or AIDS.

Early last month, the National Cancer Institute found that interleukin-2, a protein produced by the body in minute amounts, shows promise as a cancer therapy. The news led to a temporary surge in the stock prices of biotech companies, such as Cetus Corp., Biogen NV, Amgen and Immunex, which are working to produce the substance in commercial quantities through gene-splicing.

Similarly, Genentech Inc. received a boost early last year from promising results of studies on its genetically engineered blood clot-dissolving agent. In October, Genentech received federal approval of its genetically engineered human growth hormone, becoming the only source of the drug and the first biotech company to take a gene-spliced drug from laboratory to market.

The federal government also opened a biotech market worth millions last year when it approved the first commercial test to screen blood for antibodies to AIDS. This gave a boost to several companies specializing in the genetically engineered products called monoclonal antibodies.

Biotech stock prices increased 54 percent in the first 11 months of last year, according to Paine Webber's Biotechnology Index, based on 26 companies. That increase reflected a rebound from the 22 percent decline in 1984, said Linda I. Miller, an analyst at Paine Webber.

The 1984 results had reflected investors' impatience with biotech companies that had yet to deliver the long promised earnings and products, which then emerged in 1985, she said.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States	Last Wk.	Prev.Wk.	Ch'ge
DJ Indus.	1513.00	1543.00	—1.98 %
DJ Util.	172.29	172.09	+0.12 %
DJ Trans.	688.15	708.45	—2.95 %
S&P 100	200.61	204.74	—2.06 %
S&P 500	205.95	209.61	—1.78 %
NYSE Co.	118.82	120.62	—1.51 %

Source: Merrill Lynch, Paris.

Britain			
FTSE 100	1389.90	1384.70	+0.04 %
FT 30	1114.90	1105.80	+0.82 %
Hong Kong			
Hang Seng	1807.90	1720.16	+5.10 %
Japan			
Nikkei 225	12998.20	13011.10	—0.09 %
West Germany			
Commerzbk	2080.50	1871.00	+ 11.20 %

Source: James Capel & Co., London.

Money Rates

United States	Last Wk.	Prev.Wk.
Discount rate	7½	7½
Federal funds rate	7 13/16	8
Prime rate	9½	9½
Japan		
Discount	5	5
Call money	6⅝	7 15/16
60-day interbank	7⅛	7 13/16
West Germany		
Lombard	5½	5½
Overnight	4.65	4.50
1-month interbank	4.80	4.85
Britain		
Bank base rate	12½	11½
Call money	11¼	11¼
3-month interbank	12 5/16	11 9/32

Dollar	Last Wk.	Prev.Wk.	Ch'ge
Bk Engl Index	125.80	127.40	—1.26 %
Gold			
London p.m. fix. $	340.45	326.85	+4.16 %

Currency Rates

Cross Rates — *Jan. 10*

	$	£	D.M.	F.F.	H.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	2.77	4.02	112.595 *	36.685 *	0.1652 *	—	5.506 *	132.70 *	136.79 y
Brussels(a)	50.2475	73.81	20.4425	6.6585	2.995 *	18.144	—	24.8545	24.795 *
Frankfurt	2.4567	3.574	—	32.595 *	1.465 x	88.82 *	4.891 *	117.80 *	1.2135 *
London (b)	1.4555	—	3.5733	10.9363	2,431.80	4.0173	72.78	3.0288	294.15
Milan	1,676.50	2,434.30	682.08	222.25	—	605.85	33.355	803.52	8.277
New York(c)	—	0.6897 «	2.466	7.565	1,679.00	2.7755	50.42	2.0925	282.50
Paris	7.542	10.952	3.0688	—	4.5035 x	2.7259	15.016 *	3.6138	3.7239 *
Tokyo	201.65	294.81	82.54	26.92	12.11 *	73.34	404.11 *	97.36	—
Zurich	2.081	3.0331	84.915 *	27.665 *	0.1246 *	75.455 *	4.1533 *	—	1.029 *
1 ECU	0.8898	0.612	2.1862	6.709	1,490.39	2.4612	44.6917	1.8543	180.084
1 SDR	1.09651	0.75429	n.a.	8.2788	1,841.48	3.0873	55.8969	2.2895	221.111

Closings in London and Zurich, fixings in other European centers. New York rates at 4 P.M. (a) Commercial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 1,000 (y) Units of 10,000 N.Q.: not quoted; N.A.: not available. (+) To buy one pound: $U.S.1.46

Other Dollar Values

Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$
Argen. austral	0.80	Fin. markka	5.435	Mex. peso	410.00	Soviet ruble	0.7585
Austral. $	1.4397	Greek drac.	147.90	Norw. krone	7.5525	Span. peseta	151.40
Austr. schil.	17.11	Hong Kong $	7.8045	Phil. peso	18.50	Swed. krona	7.5875
Belg. fin. fr.	50.05	Indian rupee	12.0482	Port. escudo	158.00	Taiwan $	39.74
Brazil cruz.	10,840.00	Indo. rupiah	1,125.00	Saudi riyal	3.6485	Thai baht	26.615
Canadian $	1.3905	Irish £	0.819	Sing. $	2.118	Turkish lira	575.75
Chinese yuan	3.2015	Israeli shek.	1.4885	S. Afr. rand	2.44	UAE dirham	3.6725
Danish krone	8.9575	Kuwaiti dinar	0.2892	S. Kor. won	891.64	Venez. boliv.	15.10
Egypt. pound	1.33	Malay. ring.	2.4335				

£ Sterling: 1.169 Irish £

Sources: Banque du Benelux (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (dinar, riyal, dirham); Gosbank (ruble). Other data from Reuters and AP.

3 Key Asian Economies Expect Modest Growth

Reuters

HONG KONG — After recording slow growth in 1985, three of Asia's key export-driven economies, those of Taiwan, Hong Kong and South Korea, are likely to expand at a moderate pace this year, economists said.

In interviews last week, economists and businessmen also said Singapore, the fourth member of the group, might show no gain at all.

All four depend on the health of the U.S. economy for their exports and could fall prey to an upsurge in protectionism if U.S. growth stalls, the economists added.

The United States absorbed a large share of their exports last year, ranging from 21 percent for Singapore to 48 percent for Taiwan, according to official statistics.

The Reagan administration has forecast a 4-percent rise in U.S. gross national product in 1986, but other economists believe growth will be slower after last year's sluggish 2.8-percent rise. GNP measures a country's output of goods and services, including income from investment abroad.

"The growth of the U.S. economy and protectionism are the two main issues in the region," said Kenneth Leung, economist at Bank of America in Hong Kong.

Other economists and government officials echoed these sentiments despite President Ronald Reagan's veto last month of a bill to roll back U.S. textile imports.

"We are relieved and pleased," Hong Kong's director of trade, Hamish Macleod, said of the decision. "But this isn't the end of the story. We expect to see more of this kind of legislation."

Singapore faces the gloomiest prospects. Exports for the first nine months of 1985 fell to 38.05 billion Singapore dollars ($17.96 billion), down 1 percent from a year earlier.

Preliminary figures show that Singapore's gross domestic product fell 2 percent in 1985. GDP is GNP minus foreign investment income.

Economists expect Hong Kong's GDP to expand by between 4 percent and 6 percent this year after 1985's estimated 3-percent rise.

Hong Kong's domestic exports fell 6.7 percent in the first 11 months of 1985 to 117.56 billion Hong Kong dollars ($15.06 billion) from a year earlier. Economists expect a rise of between 5 percent and 7 percent this year.

Taiwan's official forecast is for 6.5-percent growth in GDP, against an estimated 4.5-percent rise last year. Exports are expected to grow by an inflation-adjusted 6.7 percent after no gain in 1985.

South Korean officials said they were aiming for export growth of 10 percent and GNP growth of 7 percent this year, against respective gains of less than 1 percent and between 4.5 and 5 percent last year.

China Has 17.7% Rise In Industrial Output

United Press International

BEIJING — China's industrial output in 1985 surged 17.7 percent over the previous year to 823.8 billion yuan ($257.4 billion), the official news agency Xinhua reported.

Growth in the final quarter was 10.2 percent, down from the 23.1-percent pace of the first half, the vice minister at the State Economic Commission, Zhao Weichen, was quoted Saturday as saying.

BBL

Banque Bruxelles Lambert

Main Consolidated Data

(in billions)	30/9/1981 BFr	30/9/1985 BFr	30/9/1985 US $(*)
Balance sheet total	924.2	1,489.5	27.2
Customer deposits	400.4	617.5	11.3
Bank deposits	431.3	716.1	13.1
Loans to the private sector	369.5	502.2	9.2
Loans to the public sector	210.7	408.1	7.5
Capital, reserves and subordinated loans	20.5	40.5	0.7
(in millions)	**BFr**	**BFr**	**US $(*)**
Operating profit	5,908.7	10,026.7	183.3
Depreciation, provisions and taxes	4,703.-	7,699.5	140.7
Net profit	1,111.6	2,165.2	39.6

(*)1 US$ = BFr 54.705

Activities and Results continued to expand during the 1984-1985 Financial Year

International Operations
With our policy of expansion in the Asian-Pacific region, we have spread our banking operations into Australia by establishing a merchant bank: BBL Australia Ltd., with offices in Melbourne and Sydney. Amongst the new bank's principal activities are corporate finance and capital markets.
In addition, representative offices were opened in Hong Kong and Djakarta, complementing the existing Singapore branch and Tokyo representation.
In the United Kingdom, BBL acquired a 29.9% participation in Williams de Broë Hill Chaplin & Co. Ltd., stockbrokers, in anticipation of the forthcoming deregulation of the London financial markets. This holding will be increased to a majority stake as soon as permitted under Stock Exchange rules.
BBL is already present in the U.K. through its London Branch.

Eurobonds
BBL is ranked ninth in the world amongst banks which have managed or co-managed Euro-issues and is world leader for Euro-issues in ECU.

Shareholders' Equity and Dividend
As at 30th September 1981, the issued capital stood at BFr 6,600 million, and by 30th September 1985 had reached BFr 11,425 million.
During the same period, consolidated shareholders' equity and subordinated loans increased from BFr 20.5 billion to BFr 40.5 billion.
For the 1984/85 financial year, the global dividend was BFr 1,262.1 million, compared to BFr 475.3 million for 1980/81.

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International Bond Prices

(Continued from Page 6)

FOREIGNTARGETED BONDS OF THE US TREASURY AND OF ITS AGENCIES

DM STRAIGHT BONDS

AUSTRALIA

AUSTRIA

BELGIUM

CANADA

CHINA

DENMARK

FINLAND

FRANCE

GERMANY

HUNGARY

ICELAND

IRELAND

ITALY

JAPAN

LUXEMBOURG

MEXICO

MISCELLANEOUS

NETHERLANDS

NEW ZEALAND

NORWAY

PORTUGAL

SOUTH AFRICA

SOUTH AMERICA

SPAIN

SUPRANATIONAL

SWEDEN

SWITZERLAND

UNITED KINGDOM

U.S.A.

NASDAQ National List

OTC consolidated trading for week ended Friday.

CONVERTIBLE BONDS

EUROPE

JAPAN

MISCELLANEOUS

U.S.A.

HIGHEST CURRENT YIELDS

On convertibles having a conversion premium of less than 10%.

Explanation of Symbols

Cda	Canadian Dollar	SDR	Special Drawing Rights
ECU	European Currency Unit	LFR	Luxembourg Franc
EUA	European Unit of Account	SFR	Swiss Franc
£	Pound Sterling	FF	French Franc
DM	Deutsche Mark		
NKR	Norwegian Kroner - DM		

PE
FOCUS
Tues days in the Trib.
Both bulls and bears turn to the Commodities Column.
UPDATE
Another Big
For Platinum

A Monthly Report for the International Investor Herald Tribune. *Monday, January 13, 1986*

PERSONAL INVESTING

FOCUS

Asia's Small Markets Face Year of the Tiger

NEXT month ushers in the Year of the Tiger, when, according to Chinese astrology, "powerful, aggressive forces" are unleashed. Both World War I and the Korean War began under this sign, which recurs every 12 years. Some specialists in the small stock markets that dot eastern Asia temper their optimistic forecasts with a wry warning of the fierce feline's approach.

Even those who dismiss such tales acknowledge that these markets are subject to unpredictable forces. Trading on Singapore's and Malaysia's exchanges, for instance, was suspended for three days last month when the Singapore conglomerate Pan-Electric Industries was unable to honor commitments to purchase $65.7 million worth of stock. The Tawain exchange tumbled early last year on the news of a scandal and the Philippines market has all but dried up in light of the problems confronting the Marcos regime.

Even before these recent misfortunes, small Asian markets were far from hospitable to outsiders. If not deterred by high withholding taxes and limited access, investors found themselves in immature markets hampered by limited liquidity and poor disclosure practices. Yet, the prospect of strong economic growth and relatively cheap stocks has proven an irresistible combination to many investors.

IN RECENT years, Singapore and its sister exchange in Kuala Lumpur have been the best bet for investors. Together, they have a larger capitalization than Hong Kong and, in the early 1980s, they outperformed most of the world's exchanges. Last year, however, they joined Thailand and Taiwan on the short list of losers in a world of bullish trading.

"If you'd asked me three months ago, I'd have said Singapore is the market to go for," confessed Alan Carvell, Pacific Basin analyst at Phillips & Drew's London office. Now, he suggests avoiding the market for at least a year. He and Peter Chan, an Asian stock specialist with Singapore International Merchant Bankers Ltd., foresee slow growth for that period.

Still, if an investor wants into the market, Mr. Chan and Mr. Carvell recommend Singapore Airlines, the profitable carrier that went public late last year. Both analysts expect the company to benefit from declining fuel prices and the fact that it generally holds more European currencies than U.S. dollars.

THE outlook for the Thailand exchange is decidedly more bullish. Nicknamed "the rice bowl of Asia," Thailand's agricultural base makes it relatively independent from the U.S. economy and it boasts the best growth prospects in the region. Contrary to those who consider the political situation messy, Mr. Carvell said he believes that the record-length tenure of Prime Minister Prem Tinsulanonda, who last year quashed a coup attempt after only a few hours, "works."

Among his favorites Thai stocks is Siam Cement. Shielded from cheaper Korean imports by the absence of a deep-water port in Thailand, the company is selling at 4½ times earnings. Mr. Carvell also cites the Industrial Finance Corp. of Thailand, which was set up in 1959 to provide long-term capital to companies.

Taiwan is a lot trickier. It is among the Asian countries that restrict foreign investment in their equity markets to a handful of approved funds. Tim Pethybridge, an Asian specialist at Vickers da Costa, says that the market has recovered from last year's steep decline, which was linked to the collapse of Cathay Plastics where some executives were accused of financial irregularities. He expects the country's growth rate to continue to exceed most Western nations. One of his current picks is Formosa Plastics, which would benefit from declining oil prices.

As for the Philippines, most global money managers are side-stepping the Manila and Makati exchanges until the country's political and economic pictures improve. With the government of President Ferdinand E. Marcos facing a domestic insurgency and a faltering economy, Jeffrey Harwood of Vickers da Costa warns that "things will get worse before they get better." □

Leslie Whitaker

	End 1985	End 1984	% Change
Straits Times Index	620.03	812.61	-24%
Thailand Stock Index	134.95	142.29	-5%
Taiwan Stock Index	830.31	838.07	-1%

Source: Vickers Da Costa

UPDATE

Another Big Step For Platinum

PLATINUM hit new highs again last week due to a strike at one of South Africa's biggest mines. The metal jumped $13.40 and broke through the important psychological barrier of $360 per ounce that has held since last April, and leading analysts now say that $400 an ounce *might* be the next stop.

The volatile metal, which sold for $265 an ounce as recently as six months ago, began its latest climb Jan. 6 when the management at Impala Platinum Holdings Ltd., the world's second-largest platinum mine, dismissed 20,000 of 30,000 miners during a strike.

Although the metal's price settled back slightly, analysts continue to be bullish over lingering effects of the strike, since South Africa controls some 80 percent of the world's supply. Some analysts say they believe the rally was unjustified in light of South Africa's available labor pool, but others say that months might pass before enough newly hired workers could bring Impala's production back to normal.

Bernard Savaiko, senior metals analyst at Paine Webber in New York, said he believes now that the metal has climbed above the $360 mark, platinum might not come under any heavy selling pressure until it reaches $400. "There really is no resistance," he said. James Kneafsey, head of Cambridge Commodities Corp., suggests that investors take a long-term view, however, because the metal might show some interim volatility during a gradual rise. □

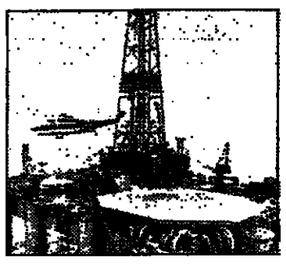
Bruce Hager

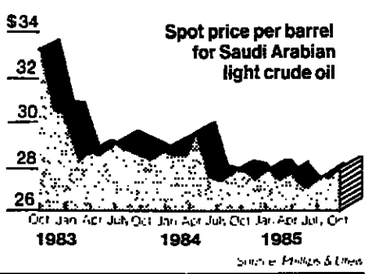
Bonds: The '85 Rally Will Be Tough to Follow

Why Bonds Rallied in '85

1 Low Inflation

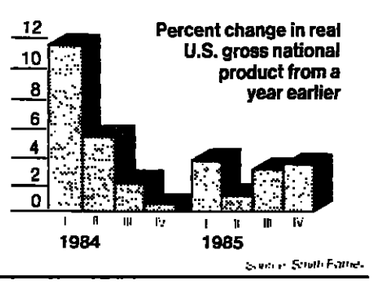
Weak prices for such key commodities as oil have helped pull inflation rates sharply lower. Bond investors have more confidence that inflation will not erode the value of their investments.





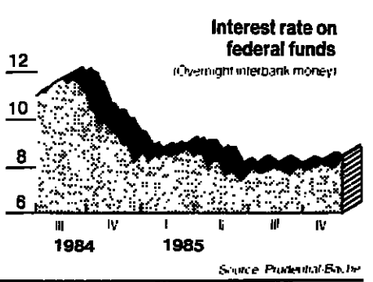
2 Moderate Growth

Economic growth has neither sped out of control nor dropped off in recession. This steady pattern means that business demand for credit is not likely to push up interest rates, which hurts bond prices, and that growth will be sufficient for businesses to meet their debt obligations.



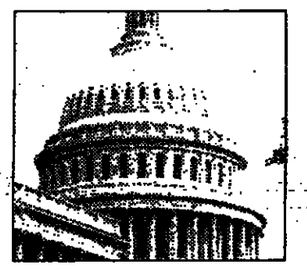
3 Stable Rate Outlook

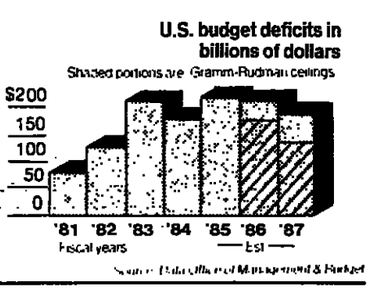
Monetary authorities in the major industrial nations have cut their key interest rates. While rates may not fall much further, few analysts see them rising sharply in the near term.



4 U.S. Deficit Hopes

Congressional passage of the Gramm-Rudman measure, which puts ceilings on future U.S. budget deficits, has helped buoy bond markets. The deficit has been blamed by many analysts for keeping interest rates high in inflation-adjusted terms.





There may be some setbacks in '86, but many professionals say bonds will maintain their allure.

By Bruce Hager

New York

AS MOST investors know, 1985 was a vintage year for stocks. In New York, the Standard & Poor's index surged 26.3 percent while exchanges in Frankfurt, Milan, London and Vienna touched record highs. Less heralded but no less spectacular was the rally in bonds, especially in the United States.

As interest rates dropped, bond prices marched upward, generating hefty returns. In fact, a Smith Barney analysis showed that 20-year U.S. Treasury bonds narrowly edged out equities, 32 percent to 31.6 percent on a total return basis, which includes income in the form of interest or dividends plus price gains.

Consider an investor who bought a 30-year Treasury bond with an 11¾-percent coupon last January. At that time, the bond was selling for about $1,015. A year later, the bond was selling for about $1,200. Adding the coupon interest of $117.50 pushes the gain to a total $302.50, or about 30 percent.

Some investors find this surprising. To many, fixed-income instruments represent equity's demure but dull sister, a risk-adverse way of preserving capital and earning interest. But sharp interest rate moves over the last few years have shown how prices and yields can radically change, making bonds as volatile and potentially rewarding as stocks under some conditions.

But professionals note that this volatility cuts two ways. "The bond market can be a crapshoot," said Dale Krieger, head of the New York investment management firm, Carnegie Hill Asset Management. "A 1-percent rise or fall in interest rates can translate into an 8- to 10-percent rise or fall in bond yield."

The bond market's capriciousness was in full evidence last week, when the announcement of substantially improved U.S. employment figures sent interest rates higher and pushed prices sharply lower. The reasoning was that the Federal Reserve would have less incentive to cut its discount rate as a means of insuring that the recovery continued.

Such seemingly perverse behavior is only one example of the obstacles to understanding the bond market. Though bonds are lumped together with stocks under the broad heading of financial instruments, investors often find them more difficult to fathom than stocks. In the minds of investors, a stock reflects the fortunes of an individual business, while bond values are shaped by macroeconomic abstractions. The complex mathematics that professionals use to compare bonds can mystify the layman, and currency turmoil and a proliferation of new fixed-income instruments has added to the confusion.

Despite the complexity, bonds still have a lot going for them in the current low-inflation environment, although 1985 clearly will be a tough act to follow. Overall, long-term U.S. interest rates have fallen about 400 basis points, or hundredths of a percentage point, in the last year and a half. And some economists predict that interest rates will fall even further before year-end.

Even if inflation rates and interest rates move upward, slack oil prices and sluggish growth are seen reducing the chances of a major setback for bondholders. Furthermore, the passage of the Gramm-Rudman bill, an effort to balance the U.S. budget by 1991, has added to investors' willingness to hold bonds over the long haul. By some of the more optimistic estimates, interest rates could fall an average of 1 percent a year over the next five years, providing big potential for investors willing to make a commitment now.

Peter Cooper, vice president at Kidder, Peabody & Co., is among those who believe that the current environment of 3.5-percent inflation and 9.5-percent interest rates bodes well for bonds. "Our thesis has always been that bonds are a good thing to buy if you can get a return of 300 basis points above the inflation rate," he said.

Matching an investment strategy to individual needs can be tricky, however. There are about as many possible bond strategies as there are different types of investors. When constructing a bond portfolio, professional money managers keep in mind such factors as an investor's cash flow needs and tolerance for risk.

In general, aggressive investors will at-

(Continued on Page 10)

What to Look for In a Newsletter

By Edith Cohen

New York

NINETEEN eighty-six will separate the men from the boys," proclaimed Joseph Granville of the Granville Market Letter as 1985 ended. The man whose exhortations have occasionally moved markets was espousing a fervently bearish outlook, not only for the market in general but for the scores of investment newsletters that have appeared in the past few years promising to lead investors to bigger rewards.

Whether or not the Dow Jones Industrial Average sheds 398 points by July as Mr. Granville predicts — which would parallel 1910, he notes, when a major bear market followed the last sighting of Halley's comet — investors will want a sensible way to sort through the growing stack of newsletters. There are about 600 newsletters published in the United States alone, and their popularity generally increases as the stock market rises.

Such letters typically appear once or twice a month, and some send out brief, interim updates. A subscription may cost as much as few hundred dollars a year. In perhaps a dozen pages or less, they range from philosophical analyses of market trends to terse, bulletin-like recommendations of the hottest plays. Some offer model portfolios. Others may provide theoretical analyses, tidbits of little-known information, a kind of investment handholding, or some combination.

James Grant, editor of Grant's Interest Rate Observer, published in New York every two weeks, said that many people look to newsletters with the wrong goal. "What everyone wants to find is something that tells you what to buy, assuages all anxiety and makes you richer than you thought possible," Mr. Grant said. "You're not going to find it."

The investor, he said, *ought not to* think "that someone is going to come along with all the answers all the time. If you think you'll get all the answers by blindly following [a letter's recommendations], you wind up feeling betrayed because it's supposed to make you rich and it doesn't."

What you should be seeking, Mr. Grant said, is "something that will stimulate your

(Continued on Page 11)

AP Wide World

Mark Hulbert of Hulbert Financial Digest links performance to "good philosophical underpinnings."

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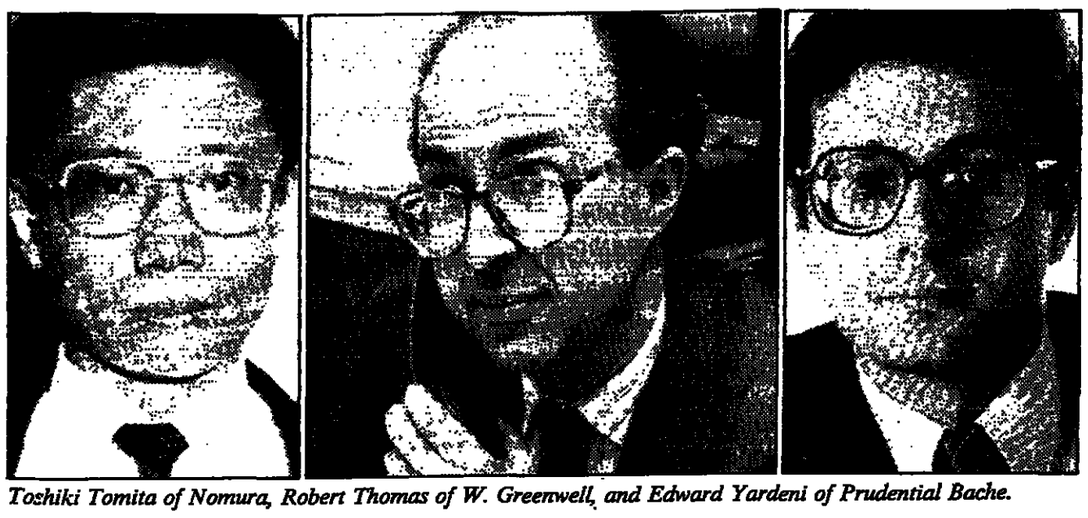
BONDS



Toshiki Tomita of Nomura, Robert Thomas of W. Greenwell, and Edward Yardeni of Prudential Bache.

Interest Rates: Where Do They Go Now?

IN THE minds of many experts, it was the near certainty of the downtrend in interest rates that propelled the bond market in 1985. But as investors gear up for another year, the outlook for rates is decidedly less apparent. U.S. interest rates have begun to rise and pressures on the Federal Reserve to push the dollar down and nurture the recovery through lower interest rates have eased considerably.

Still, some economists expect the downtrend in U.S. interest rates to resume on a modest scale later in the year. With U.S. economic growth expected to average only 1 percent or 2 percent in the first half, it is widely believed that the Fed will continue its easier monetary stance. Edward Yardeni, chief economist for Prudential Bache in New York, expects another 1-percent cut in the Fed's discount rate by the middle of 1986. This, in turn, could allow similar rate cuts in Europe and Japan.

Measuring its impact on the bond markets will not be easy, however. Mr. Yardeni said that long-term government bond yields might move back up toward 10 percent later this month or in February from their current level of about 9.5 percent. The crucial factor is the Gramm-Rudman bill, which is designed to balance the U.S. budget by 1991. Mr. Yardeni said that if there is any question of the bill's effectiveness, interest rates would react accordingly.

"One concern is if the private sector goes on a borrowing binge at the same time that Gramm-Rudman doesn't prove feasible," he said, explaining that that would cause rates to go up very quickly. "I think that bears a lot of monitoring."

Despite these uncertainties, Mr. Yardeni said that bond yields likely would start to fall in March along with lower oil prices, which he sees dropping to $20 a barrel from the current $26. As a result, he predicted that 30-year Treasury bond yields would fall to 8.5 percent by midyear.

Similar trends may be observed in Japan. Last fall, the Japanese bond market stumbled in response to the Bank of Japan's effort to raise short-term rates and strengthen the yen, following a meeting in New York of the finance ministers of Group of Five leading industrial nations — Britain, France, Japan, the United States and West Germany. But since the beginning of 1986, the dollar has weakened considerably against other major currencies.

That might mean the Japanese authorities would take the initiative with a rate cut of their own, according to Toshiki Tomita, head of domestic economic analysis for the Nomura Research Institute in Tokyo. To stimulate the Japanese economy, Mr. Tomita said he expects the Bank of Japan to unilaterally cut its discount rate by as much as half a percentage point to 4.5 percent before March. In addition, he said that yields for 10-year Japanese government bonds could fall from 6 percent to 5.7 percent by June.

Mr. Tomita also expects the Group of Five to continue to correct the dollar's strength. He said he believes that the goal for the spring economic summit is for the dollar to fall another 10 yen from its present level of about 200 yen. Once the dollar drops to the new level, Mr. Tomita said that Japanese interest rates would stabilize or fall even further for the rest of the year. "There's very little risk of Japanese interest rates going up if the 190 level is maintained," he said.

In London, forecasts for lower rates were scrapped when the government moved quickly to bolster sterling last week as part of an anti-inflation strategy. The bank base rate was raised one percentage point to 12.5 percent, and economists said that any decline would be muted due to lower oil prices, reflecting Britain's status as a net exporter of crude.

ROBERT Thomas, an economist with W. Greenwell & Co., said he does not expect the base rate to rise any further, meaning that the annual average probably would not fall below 12 percent. Still, he said he expects base rates to fall to that figure within six months and then stabilize for the rest of 1986.

As for government bonds, or gilts, Mr. Thomas said that the medium-term area would most likely experience the sharpest rate declines within the next two months. He said he expects five-year bond yields to fall to 11.25 percent from the current 11.7 percent, and 15-year bonds to fall to 10.5 percent from just over 11 percent. Yields for 20-year bonds, he said, should drop to 10.5 percent from the current 10.75 percent.

Mr. Thomas said that the crucial areas to monitor were oil prices and exchange rates. If sterling prices stabilize and oil falls below $22, as many economists have predicted, then Mr. Thomas said the resulting 0.5-percent reduction in the inflation rate would improve the overall interest rate situation. "I think you've had a surprising boost up," he said, "and any favorable news will give rates an opportunity to come down again."

West Germany is in a much better position to capitalize on lower oil prices, according to Mr. Thomas. He said he expects the yield on long-term government bonds to drop to 5.5 percent from the current rate of just above 6 percent. □

Bruce Hager

A Murky Outlook for Bonds in '86

(Continued from Page 9)

tempt to lock in current yields and the biggest potential for price gains by buying the longest maturities, more than 20 years. More cautious players will accept slightly lower yields and stick to bonds with maturities of five to 10 years, where prices are far less volatile.

Scott Grannis, a senior economist with Claremont Economics Institute in Claremont, California, falls in the more aggressive camp, recommending the purchase of 30-year U.S. Treasury debt. By his calculations, these bonds will have an annualized return of 15 percent to 18 percent over the next five years when interest payments and price appreciation are taken into account.

In the shorter term, other strategists are cautioning their clients that the extreme maturities that reaped the biggest rewards last year are not as promising this year. "The lion's share of the rally is behind us," warned Robert T. Hennes Jr., vice president of Bernstein-Macanlay Inc., which manages fixed-income funds. As last week's jolt showed, "the market is bad-news vulnerable," he noted.

Many bond fund managers are shifting from long maturities into the intermediate ranges of seven and 10 years because they feel that rates gradually will be moving up in 1986 in response to stronger economic growth. Emad Zikry, senior investment officer of Chase Manhattan's private banking division, said that he has been taking his profits on long-term Treasury bonds and putting the emphasis on Treasuries and Eurobonds with maturities of five to seven years.

Although he will continue to do so for another two quarters, Mr. Zikry said that these are merely adjustments made within a long-term trend. "The silver lining" to last week's downturn, he said, "is, I feel, that we're in a long-term secular bull market."

Mr. Zikry also has devoted a bigger portion of his portfolios to bonds denominated in currencies other than the dollar, illustrating another investment theme of 1986. The returns on bonds in such currencies as Japanese yen and Deutsche marks start to look tempting when interest payments and potential price gains are converted into dollars. Although the dollar has fallen as much as 30 percent against the Deutsche mark and the yen, some analysts said there might be another downward movement of 10 percent to 15 percent.

Aiden Hatton, a senior vice president with Alliance Capital Management and chairman of the Alliance Bond Fund, advocated splitting a prospective bond portfolio among three different markets. Half of the portfolio would be invested in seven- to 10-year U.S. Treasury securities. One-quarter of the remainder would be put into bonds in such currencies as the Dutch guilder, Swiss franc and Deutsche mark, and the other quarter into yen-denominated issues such as Japanese postal authority or government bonds.

That thinking was supported by a Salomon Brothers study that said several non-dollar bond markets would outperform the main dollar bond sectors next year, led by 10-year Japanese, West German and British government issues. "If you're looking to hit a homerun, then you have to have some yen-denominated issues," Mr. Hatton said. In dollar terms, Salomon Brother said it expected Japanese government bonds to score a total return of 21 percent, 9 percentage points of that from currency gains.

Colin Harte, fixed-income manager at Travelers Hill Samuel International in London, mixed approaches. He advocated a more aggressive stance toward the U.S. Treasury market, saying that dollar-based investments should keep 60 percent of their portfolios in U.S. Treasury bonds of 20-year maturity or longer. The rest would be split between between 10-year Japanese and West German government bonds.

Mr. Harte, mindful of the shaky psychology surrounding the dollar, said that he plans to stay flexible. A sign of a break in the U.S. currency would spur him to cut his exposure to the dollar by half.

Zero-coupon bonds also remain popular among bond investors who want to lock in current yields, though professionals caution that prices on these deep-discount instruments are more volatile than those on conventional bonds. This is particularly important when comparing yields on zero-coupon bonds to those of conventional bonds, noted Mr. Hennes of Bernstein-Macaulay.

He advised investors to measure yields on zero-coupon bonds against those on conventional bonds of slightly longer maturity to compensate for the added price risk. For example, it might be better to compare a five-year zero-coupon with a seven-year conventional bond to get a better sense of their relative value. As always, though, the appeal of zero-coupons is that they eliminate the problem of reinvesting coupon interest payments.

As yields on Treasury bonds and money market funds eased in 1985, many investors sought out the higher returns on such instruments as mortgage-backed securities and high-yield, or "junk" bonds. Because of the complexity of these instruments, most investors opt for funds, which provide diversification of risks and professional management. Funds in the Government National Mortgage Association, or Ginnie Mae, a mortgage-backed security fully guaranteed by the U.S. government, were particularly popular.

According to Lipper Analytical Services, which tracks fund performance, Ginnie Mae funds scored a total return of 18.79 percent in 1985 versus 16.39 percent for funds of U.S. government securities. Funds of high-yield securities rolled up a total return of 21.65 percent.

Few bond strategists in the United States see the need for individuals to venture in the domestic corporate bond market. It has been particularly unsettling after the surge of mergers and restructurings in 1985. Many investors who bought investment-grade bonds issued by major corporations saw their holdings downgraded to speculative status when the issuer became part of takeover battle or underwent restructuring. "It's a minefield," warned Mr. Hennes. □

Looking Ahead

Projected yields on 10-year government bonds in U.S. dollars as of December 1986

	Return in Dollars	Foreign Exchange Gain Component
10-year Japanese government bonds	21%	9%
10-year West German government bonds	16%	7%
10-year British government bonds	13%	3%
10-year Eurodollar bonds (AAA/AA)	7.5%	–
10-year 11% U.S. industrial bonds	7%	–
10-year U.S. government bonds	6%	–
30-year U.S. government bonds	3.5%	–

Bond Basics: A Refresher Course on Key Points

COUPON RATE: The coupon rate is the interest that the issuing company or agency agrees to pay annually on a bond until it reaches maturity, when the principal, or face amount, is returned to the holder.

Bonds can be sold in any face amount; for dollar-denominated bonds, units of $1,000 are common. A conventional bond maturing in 1993 with a coupon rate of 9 percent would pay the holder $90 annually for 7 years, when the $1,000 face amount would be returned to the holder. Coupon interest payments may be made quarterly, semiannually or annually, depending on the bond. The term comes from the fact that some bonds carry small coupons that must be clipped and presented to a bank for each payment of interest.

PAR VALUE: The par value of a bond equals the face amount, the sum that will be paid to the holder when the bond matures, usually $1,000. Most fixed-income securities are quoted in percentage points of the par value. A $1,000 par-value bond trading at a price of 85 sells for $850. When a bond is quoted below its par value, it is said to be trading at a discount. If the bond is trading above its par value, it is selling at a premium.

CURRENT YIELD: Current yield, a key concept in bond mathematics, is a ratio relating the coupon of a bond to its market price. It is calculated by dividing the dollar amount of the annual interest payment by the price of the bond.

Take the case of a 10-year bond with a 10-percent coupon. The bond pays a coupon rate of $100 annually, or 10 percent of the face amount of $1,000, for 10 years. If the bond was purchased at par value, or $1,000, the current yield [$100 divided by $1,000] would be the same as the coupon rate of 10 percent. However, if the bond was purchased in the market at a price of 95 [$950], the current yield would rise to 10.5 percent [$100 divided by $950]. Likewise, if the bond was purchased at 105, the current yield would fall to 9.5 percent.

When interest rates rise, bond prices fall so that current yields reflect the new level of prevailing interest rates in the economy. Similarly, bond prices rise when interest rates fall to bring current yields on bonds into line with the lower cost of money.

YIELD-TO-MATURITY: Yield-to-maturity is the most widely used measure of a bond's value. Based on a complex mathematical formula, it is used to estimate the return on a bond purchased at specified price and held until maturity.

Unlike current yield, yield-to-maturity takes into account the difference between the market price paid for the bond and the $1,000 principal amount that will be returned to the holder when the bond matures. The investor who buys a 10-year bond with a 10-percent coupon at a discount price of $950 will get $1,000 when it matures, giving a yield-to-maturity of 10.83 percent. Similarly, the investor who bought the bond at a premium price of $1,050 will receive only $1,000 at maturity, giving a yield-to-maturity of 9.22 percent. Yield-to-maturity also reflects the "time value" of the flow of interest payments and principal to the holder, on the reasoning that $1 due in the future is worth less than $1 in hand.

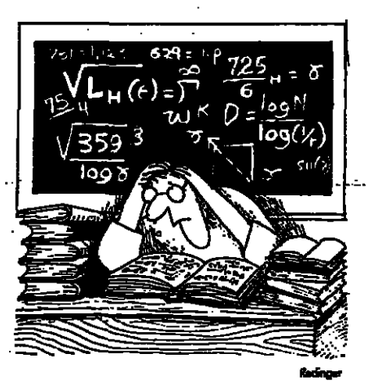
When a bond is quoted at a premium over par value, the current yield is greater than the yield-to-maturity. When a bond is purchased at a discount to par, the current yield is less than the yield-to-maturity. Tables of yield-to-maturity rates for various combinations of coupon rates, maturities and interest rate levels are published in book form.

A note of caution: yield-to-maturity assumes that interest coupon payments over the life of the bond can be reinvested at the same level of interest rates. In the short term, the "interest on interest" from reinvestment of coupon rates is a comparatively small factor in yield-to-maturity. But if interest rates stay lower than coupon rates over the life of a long-term bond, actual return to the holder could be much less than the yield-to-maturity being quoted under current rate conditions.

YIELD CURVE: The yield curve depicts how yields for a certain category of fixed-income securities change over various maturities. In short, it shows the trade-off between yield and maturity. Yield curve analysis is widely used by investment professionals to forecast changes in interest rates and to spot opportunities in the bond market.

The classical shape of the yield curve shows yields climbing gently as maturities lengthen. The higher yields at the longer maturities compensate investors in long-term bonds for the perceived additional risk in holding those securities.

A steeply rising yield curve often is associated with expectations that interest rates will rise. Under some conditions, the yield curve is inverted, with short-term rates higher than longer term rates. This situation prevailed in February 1981, a period when interest rates were in double digits and a sharp fall was widely anticipated.



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CALL: Issuers of bonds often reserve the right to "call" an issue at specified prices and dates before it reaches maturity. This option usually is exercised when interest rates have fallen substantially below the coupon rate of the securities. A call provision makes a bond issue less attractive to investors because it puts a ceiling on potential price gains. Also, investors whose bonds have been called may not be able to find a comparable investment with the same level of return.

SINKING FUND: Sinking fund payments are a way that issuers retire, or pay off, their bonds before maturity. The issuer makes a payment to a fund that is used to redeem the bonds periodically or buy them in the open market.

RATINGS: Companies and agencies that issue bonds pay independent services to assign credit ratings to their issues. These ratings help investors judge an issuer's ability to meet their debt obligations. The lower an issuer's rating, the higher the coupon rates on its bonds must be to compensate investors for the added risk. The two most well-known rating services are Moody's Investors Service and Standard & Poor's.

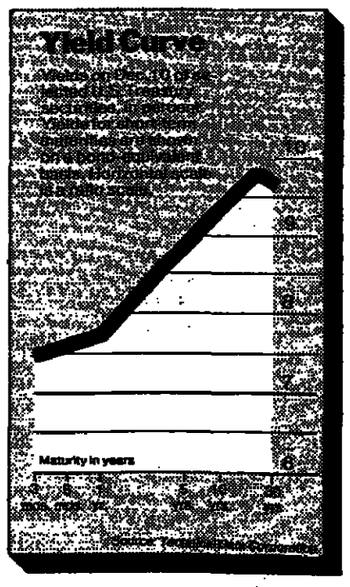
JUNK BONDS: This is a general term for a wide range of high-yielding, fixed-income securities that carry less than investment-grade credit ratings. Junk bonds often have been issued by younger companies whose balance sheets are not yet strong enough for them to merit a high credit rating. These securities also are used to finance corporate takeovers and restructurings.

MORTGAGE-BACKED SECURITIES: The most common forms of these securities represent shares in packages of U.S. home mortgages that have been assembled by government or quasi-government agencies. Mortgage payments by homeowners are "passed through" to investors on a prorated basis. Unlike conventional bonds, payments to holders usually are on a monthly basis and, like mortgage payments, include some interest and some principal.

Mortgages packaged by the Government National Mortgage Association, or Ginnie Mae, carry the direct guarantee of the U.S. government. Those of the Federal National Mortgage Association, or Fannie Mae, and of the Federal Home Loan Mortgage Corp., Freddie Mac, carry only the guarantee of the agencies.

ZERO COUPON: Zero-coupon bonds do not pay interest in the same way as conventional bonds. Instead, they are sold at a fraction of their face value. The difference between the price paid for the bond and the amount received at maturity, or when the bond is sold, represents the accrued interest.

Among the most popular zero-coupon instruments are those constructed from U.S. Treasury debt. Last year, the U.S. Treasury began directly offering its own zero instrument. One reason for the popularity of zero instruments is that they eliminate the problem of reinvesting coupon payments. □



The ABC's of Ratings

Symbols	Description
Moody's: Aaa,Aa S&P: AAA,AA	These two ratings are reserved for bonds of the best quality. The borrowers' capacity to pay interest and repay principal is secure.
Moody's: A, Baa S&P: A, BBB	Borrowers in these categories are financially sound but have been judged more vulnerable to change in competitive or economic conditions.
Moody's: Ba, B, Caa S&P: BB, B, CCC	These categories are for bonds that have varying degrees of speculative elements. The companies' ability to pay interest and repay principal is in question.

Adapted from Standard & Poor's International Creditweek and Moody's Bond Record

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Vienna Modernizes Amid Surge

By David Tinnin

Vienna

FEW OBSERVERS are quite so surprised by the sensational achievement of the Vienna Stock Exchange as the Austrians themselves. "Until now, the Austrians were barely aware that we had a stock exchange," said Edvard Oswald, a new issues manager at Girozentrale, Austria's second-largest bank. "Now they are starting to invest in it."

So, too, are foreigners. After long being regarded by international money managers as one of Europe's least interesting markets, the Vienna exchange suddenly took off in 1985 and achieved the distinction of doubling its value. In a year that saw Austria's corporate image tarnished by scandals and losses in state-owned industries, the Creditanstalt-Bankverein index rose 102 percent last year to close at 119.66. Only Milan, Europe's other high-flying bourse, can point to a similar achievement. Even then, Vienna had the edge, since the strong schilling yielded a better return on investments in U.S. dollar terms than the lira.

Leading the Vienna upsurge were banks and insurance companies. The share price of Erste Allgemeine Versicherung, a leading insurance company, rose 298 percent, while the price of Interunfall, another insurance concern, rose 273 percent. Some industrials did as well. Leykam-Mürztaler Papier-und Zellstoff, a paper products maker, increased 306 percent, and Vietscher, an industrial chemicals producer, rose 344 percent.

It is easy to explain Vienna's surprising upsurge. Ever since it attained full independence in 1955, Austria has closely tied its finances and currency to West Germany. After the Frankfurt exchange rose early last year to expensive levels, German and foreign investors went shopping for bargains in Vienna. The large and continuing influx of funds from abroad into Austria's extremely narrow market started the exchange climbing. According to Robert Jekl, director of the securities department at Creditanstalt, Austria's biggest bank, at least 60 percent of new stock purchases are made by foreigners.

The market boom also has strong sources of support at home. Austria's finance minister Franz Vranitzky, a former banker, has instituted a number of incentives to encourage private investment in Austrian shares. This year investors, will benefit from the so-called *Genusschein*, or "enjoyment certificate." The *Genusschein* enables an investor with a family of four to write off as much as 90,000 schillings (about $5,200) a year against income tax.

The huge success of 1985 convinced Vienna stock exchange officials to bring their own trading customs into line with the major markets of the world. Until now, the Vienna exchange had been an odd man out by following the archaic practice of quoting the price of a share as the percentage of its increase from par value, or multiples of 100. Under that system, shares with nominal values of 100 schillings and 1,000 schillings both were quoted at 150 on the exchange if their prices rose by 50 percent.

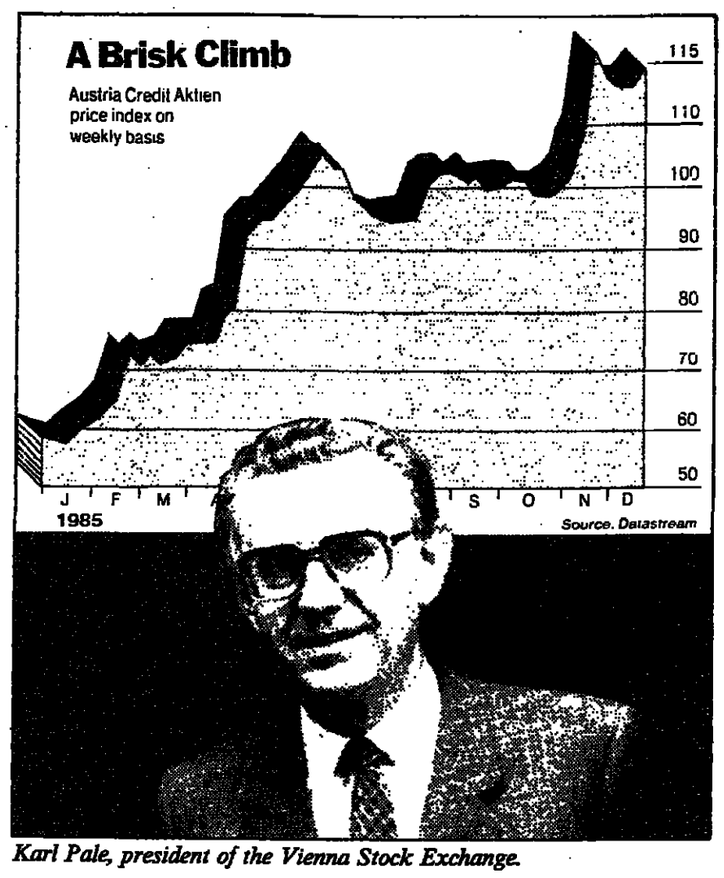
The Vienna exchange closed for the first three trading days of 1986 to adopt a unit pricing system. "The new system is all part of the internationalization of Vienna's market," declared Karl Pale, president of the Vienna exchange and chairman of Girozentrale bank. "We realize we must expand and consolidate our market if we are to hold on to our recent gains."

Still, Vienna has quite a way to go before it rivals even Zurich or Amsterdam as a financial center. The market itself is very small. There are only 51 Austrian companies listed on the exchange plus 26 foreign issues. The exchange's total capitalization is equivalent to a mere $3.5 billion and daily volume averages about $3.5 million. Even though volume was three times higher in 1985 than in previous years, the trading period has been extended by only 30 minutes to a total of two hours a day.

Most Viennese analysts are guardedly optimistic about the market's prospects. Following 1985's rise, some experts consider the market too expensive. A confidential study by a highly respected Vienna bank places the price-earnings ratio of 17 representative issues at 22, an indication that Vienna may be the second-highest priced market after Tokyo.

Few analysts expect the market to repeat its 1985 performance. But many believe that the market could advance 15 percent to 30 percent this year, though the upward progress is likely to be uneven due to profit-taking and corrections.

Analysts are looking for continued growth in a number of issues, notably Creditanstalt's preferred shares, since the bank expects higher earnings in 1986 from its industrial holdings. Also cited were Lenzing, the world's largest producer of raxon staple fibers and a newcomer to the exchange, and Perlmooser, Austria's largest cement producer, which barely kept pace with the market in 1985 but might now take off. An outside possibility is Jungbunzlauer, a biotechnology company that this year is bringing out a new type of food preservative. □



Karl Pale, president of the Vienna Stock Exchange.

Market Mystery: January's Effect

By Anise C. Wallace

New York

IT'S PROBABLY not in the same league with the theory of relativity or the discovery of electricity, but the stock market's "January effect" has spurred dozens of studies. According to the research, the share of companies with lower-than-average market capitalizations should outperform the stocks of larger companies this month.

"Certainly, all the academic research says that it's true, and our experience says that it's true," said Preston G. Athey, a vice president and portfolio manager of the T. Rowe Price Associates New Horizons Mutual Fund, which invest $1.5 billion in the stocks of small companies.

Donald B. Keim, an assistant professor of finance at the Wharton School of Business, analyzed the returns of small and large stocks for every year back to 1930. And in only two of those years did the stocks of small companies fail to beat the large ones in the first month of the year.

Mr. Keim and others point out that, over time, the stocks of small companies, on average, have beaten the stocks of larger companies. And they believe that most of this "premium" in their returns occurs in January. Adjusting for various market factors, the Wharton professor has concluded that investors are not paid any premium for holding small stocks for the remaining 11 months of the year.

According to Mr. Keim, the smallest of the small stocks do the best during this month. He ranked the stocks that trade on the New York and American Stock Exchanges by their capitalization into 10 groups, or deciles. The decile that includes the stocks with the lowest capitalization — those with less than $50 million in market value — had the greatest runups in January. Those companies with the largest market value tended to perform in line with the broad market averages, such as the Standard & Poor's 500 index.

Not even the academics who have conducted the research claim to know for certain why the January effect occurs — or why it missed a couple of years. But theories abound.

One of the most popular is that the stocks of smaller companies rebound in January after the tax-loss selling ends in December. While individuals sell declining stocks of both small and large companies so that they can show a loss on their tax returns — to offset gains elsewhere — the stocks of smaller companies tend to show a bigger percentage bounce when the selling stops.

"Clearly the ones that seem to do the best are those that have strong tax-loss selling," said Mr. Athey of T. Rowe Price.

Then again, there is evidence that taxes may have nothing to do with the January effect. For example, it also occurs in Britain, despite the fact that the fiscal year there does not end in December, as it does in the United States, said Andrew Rudd, managing director of Barra, an investment consulting firm based in Berkeley, California. Mr. Rudd noted that the January effect occurs, to a small extent, in Japan as well.

Another theory concerns greater market liquidity. Some professionals believe that the January effect results from more money being in the market at the turn of the year. At year-end, for a number of reasons, individuals tend to throw more money into the market and institutions get more infusions of cash from their pension fund clients, they say.

EXPERTS point to several ways that speculative investors can try to make money on the January effect. If they believe that the market is going to advance during the month, they can load up on small stocks.

Despite last week's jolt to the stock market, Mr. Athey said he believes the January effect will work. Included in his New Horizons Fund are a number of issues that he expects to benefit from the effect. They include Thomas Nelson Inc., which publishes Bibles; Action Industries, which puts together promotions for retailers; Luskin's, which sells discount home furnishings and electronics; Software Publishing and Massachusetts Computer.

In any event, he notes that the effect only calls for small-capitalization stocks to outperform the stocks of larger companies, which could simply mean that they do not fall as far as the larger capitalization stocks. □

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Newsletters Often Take the Unconventional View

(Continued from Page 9)

own thinking, give you ideas." The question, he said, is why pay a couple of hundred dollars or so a year for what you might well glean by carefully reading the regular business press for a few dollars a week?

"In the newsletters you get the eccentric, the unconventional points of view that aren't considered sufficiently establishment to make it into the brokerage reports or the financial papers," he said. For example, he notes that in the early 1970s, only the newsletters held any indication of the bull market in gold.

The accuracy of market forecasts and profitability of stock picks are uppermost in peoples' minds when they are shopping for a newsletter. One source they can turn to is the Hulbert Financial Digest in Washington, D.C., an authority on newsletter performance. It tracks about 80 newsletter portfolios a month, often chosen at the request of some of its 12,000 subscribers. "It's been a bullish year," said Mark Hulbert, owner and editor, "so anyone who was bullish, has done well."

Heading Mr. Hulbert's list of top performers for 1985 is the 11-year-old McKeever Strategy Letter, edited by James McKeever, in Medford, Oregon. For $195, it offers monthly reports, with perhaps 20 to 30 "special alert" editions a year. Mr. McKeever said that his comprehensive portfolio, which ranges from U.S. Treasury bonds to commodities to stocks, has averaged returns of 75 percent a year for the past eight years. He takes a long investment view. For example, he told subscribers to buy foreign currency in November 1974, told them to sell in 1978 and issued a major buy signal last April.

Also high on Hulbert's list is B.I. Research, of South Salem, New York, edited by Tom Bishop.

Good News

Hulbert Financial Digest's list of six best performing newsletters for 1985. When more than one portfolio is recommended, an average is used.

Newsletter	Type of investment	Performance
McKeever Strategy Letter P.O.Box 4130 Medford, Oregon 97501	Commodities, Treasury bills	+83.3%
Medical Technology Stock Letter 155 Montgomery Street San Francisco, California 94104	Stocks, Treasury bills	+83.3%
High Technology Investments 2480 Times Boulevard Houston, Texas 77005	Trading in technology stocks	+77.1%
OTC Insight P.O.Box 1329 El Cerrito, California 94530	Stocks	+66.3%
B.I. Research P.O.Box 301 South Salem, New York 10590	Stocks	+65.9%
The Prudent Speculator P.O.Box 1767 Santa Monica, California 90406	Stock trading on margin	+62.2%

Devoted to equities, B.I. Research publishes every six or eight weeks, with interim updates. It costs $80 a year. Not bound by a publication date or to make a set number of choices, Mr. Bishop said that he can try to pick "the cream of the crop."

Mr. Hulbert urges prospective subscribers to utilize trial subscriptions, "to see that good performance goes along with good philosophical underpinnings." He said that, even without the performance rating he offers, a reasonably intelligent investor can tell if a newsletter contradicts itself from issue to issue, if it lies about its performance record, if it is sufficiently researched.

The investor also should look at content and style in evaluating newsletters. The more information on the company behind the stock and the more original research — rather than information digested from other sources — the more valuable and more expensive the letter is likely to be.

Interim updates on stock picks are another big plus. In order to be thorough in their analysis, some letters will not recommend too many stocks at any one time. Mr. McKeever and Mr. Bishop say five to 15 stock picks is about right. Too many more and it is hard to keep track of the companies.

Finally, investors should remember that as markets swing, so do newsletter results. "Some people are good bears," said Mr. Grant, "because they see all the negatives. Others are good in a bull market." And how does Mr. Granville react to those who look askance at his advice after one of his portfolios, by Hulbert's rating, lost nearly 97 percent of its value in 1985? In predicting a bear market, he said, "It's better to be too early than too late." □

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DM Deposit	DM	5.153	3.58
Yen Deposit	Yen	520.4	6.82
Sw.Fr. Dep.	SFr.	5.127	3.55
N. American	$	1.30	0.50
Japan	$	1.80	0.00
Pacific Basin	$	1.43	0.00
Intl. Growth	$	1.52	0.60
British	£	1.42	2.00
Sterling Gilt	£	1.08	10.25
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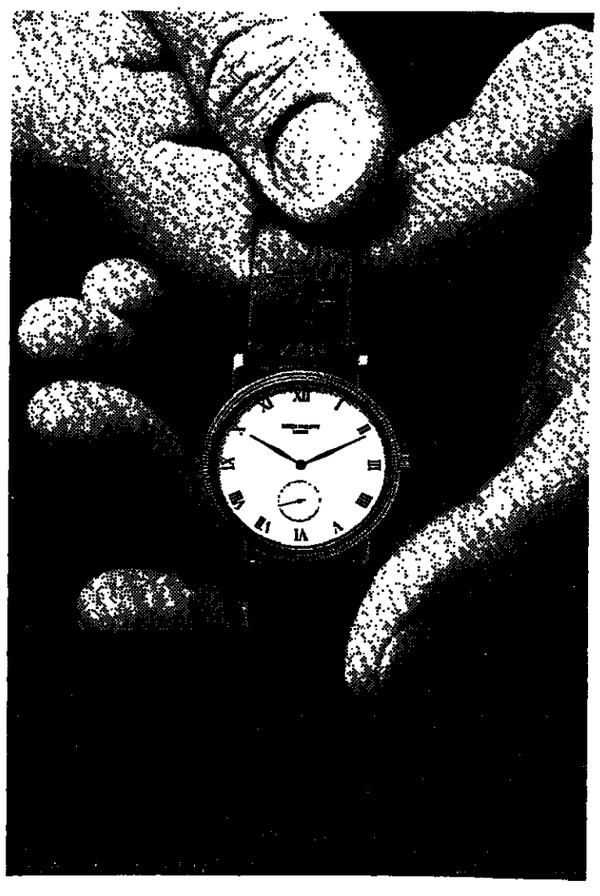

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FUNDS

Deeper Confusion Over Fees on Funds

By Anise C. Wallace

New York

FOR years, there were only two types of U.S. mutual funds. One category charged investors a onetime, upfront commission, called a load. The other kind, no-load funds, charged no commission at all.

But today, investors can be forgiven if they are confused. There are still some pure no-load funds and many load funds that carry, typically, an 8.5-percent charge. Then there are load funds that charge a commission of 2 percent or 3 percent, and thus are known as "low-loads." There are "back-load" funds that charge 2 percent or 3 percent when the funds are withdrawn.

There also are funds that charge a load of perhaps 2 percent and a back-load, perhaps 1 percent, as well. There are funds with "contingent deferred sales charges" of as much as 6 percent of the initial investment if assets are withdrawn before a specified date. And there are funds that have no load, but instead charge shareholders additional annual expenses.

In sales, load funds outnumber the no-loads. In performance, almost every study has found that, on the average, there is little difference in load and no-load funds. Many professionals wonder why investors bother paying the load for a mutual fund. One answer is that brokers push load funds at their customers, and do not push no-load funds.

Some investors may prefer load funds because they mistakenly believe that the commission ends up in the pockets of the fund's portfolio managers, and thus inspires them to better performance. In fact, the commission goes to the salesman; the investment adviser is paid separately, usually a percentage of the fund's net asset value.

Yet, in 1984, 65.1 percent of the total amount of mutual funds sold to investors were those with a load, according to the Investment Company Institute. In total assets, load funds exceeded $93 billion while no-load funds had almost $42 billion at the end of 1984.

These days, some investors are finding the no-load designation deceptive as well as confusing. For example, a fund can be called no-load even if it carries an annual fee to cover brokers' commissions and distribution and marketing costs. These funds, known as 12b-1 funds after a section of the U.S. securities law, were conceived by the Securities and Exchange Commission as a way for no-load fund organizations to get shareholders to pay for sales and distribution costs. But in recent years many load fund companies also have adopted them. In some cases, mutual fund organizations dropped front-end loads and instituted the annual 12b-1 fee instead.

Typically, these 12b-1 expenses range from 0.5 percent to 1 percent of an investor's assets in the fund, but some fund families charge as much as 1.25 percent. That cost plus the annual management fee paid to the investment adviser can send the cost of some funds above 2 percent a year. Among the organizations that have adopted some form of 12b-1 charges are E.F. Hutton, Dean Witter Reynolds Inc., IDS/American Express and Merrill Lynch.

Critics of 12b-1 rules say that for the most part, the investment companies have not been straightforward in letting investors know about these annual charges in their advertisements, prospectuses and statements of additional information. But in some case, the information has been buried in the legal and financial jargon of the prospectus. Investors sometimes can get a hint of the added charges from those 12b-1 funds that state on the cover of their propectus that the fund carries a "distribution fee."

TO determine if a fund has a 12b-1 plan, investors must carefully read the per share data section of the prospectus. According to the newsletter United Mutual Fund Selector, any fund that shows an expenses-to-net-assets ratio that is higher than the industry average of 0.70 percent probably is a 12b-1 fund.

Michael D. Hirsch, chief investment officer of Republic National Bank in New York and manager of a fund that invests in other mutual funds, notes that it often is difficult to avoid using no-load funds. "Like it or not, upwards of half the universe is still load," he said.

The U.S. Securities and Exchange Commission has taken notice of these 12b-1 funds. "It's my feeling that disclosure could be improved," said Kathryn B. McGrath, director of the division of investment management at the SEC.

One increasingly common development is for mutual fund organizations to allow investors to switch among their "family of funds" without paying a commission on each move: Loads are paid only on the initial investment of cash. Mr. Hirsch predicts that low-loads will be the wave of the future. □

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The Honor Roll

All of 1985		4th Quarter	
Fidelity Overseas	+78.68%	Strategic Capital Gains	+44.19%
Fidelity OTC	+68.99%	44 Wall Street	+41.38%
Zenith Fund - Capital Growth Series	+68.10%	Benham Target 2010	+36.72%
		Benham Target 2005	+31.73%
Paine Webber Atlas	+65.65%	GT Europe Growth	+29.04%
Putnam International	+65.10%	Zenith Fund — Capital Growth Services	+28.97%
Alliance International	+64.52%		
FT International	+61.18%	Eaton Vance Tax1	+26.80%
Hemisphere Fund	+60.20%	GAM International	+26.49%
Fidelity Select Health	+59.43%	ABT International	+26.47%
GAM International	+59.26%	Kemper International Fund	+25.89%

Source: Lipper Analytical Services

U.S. Mutual Funds Had A Banner Year in 1985

By Vartan G. Vartanig

New York

AMID booming sales and a roaring bull market, U.S. mutual funds last year scored their best performance since 1980 and one of their best years ever. But even so, their average gain of 27.17 percent failed to match the 31.79-percent advance of the Standard & Poor's 500-stock index, with dividends and interest reinvested.

For the year, equity funds specializing in non-U.S. stocks, health care and the rebounding over-the-counter market did particularly well, replacing the more conservative, yield-oriented portfolios of 1984 as the biggest winners.

The overall performance marked a stunning improvement over 1984, when the average equity fund barely showed a positive return — 2.09 percent — against 6.29 percent for the 500-stock index. In 1980, when oil stocks were favorites of portfolio managers, equity funds scored an average advance of 33.48 percent, slightly better than the S&P index.

In the final quarter of 1985, when stock prices soared, "almost everything was up," said Michael Lipper, president of Lipper Analytical Services, which monitors mutual fund performance. Moreover, last year's spirited advance came when the broad spectrum of mutual funds already was smashing all sales records.

According to the Investment Company Institute, a industry trade group, sales for mutual funds of all types, excluding money market funds and short-term municipal bond funds, soared to $110.5 billion. This more than doubled the $45.9 billion in 1984.

Particularly significant was the huge expansion in net sales, or gross sales minus fund-share redemptions. Last year's net sales totaled $78.5 billion, or triple the $26 billion in 1984.

But with the price of gold still depressed and the inflation rate held in check, precious-metal funds repeated their poor showing. It was down 6.81 percent, the only fund sector showing a loss.

Two funds of Boston-based Fidelity Investments swept the top honors among the 768 funds of all types monitored by the Lipper firm. Fidelity, the largest privately held investment management firm in the United States, supervises $35 billion in more than 30 funds.

Both of its top-ranked funds are only about a year old. Fidelity Overseas Fund, managed by George L. Noble, a 29-year-old Yale economics graduate, took first place with a total return of 78.68 percent. As an indication of the fund's success, and a heavy inflow of new cash, its net assets have soared to $181 million from $38 million on July 31.

Last year's second top-ranking fund was the Fidelity OTC Portfolio, an aggressive growth fund showing a return of 68.99 percent. Managed by Paul S. Stuka, 30, the $163-million portfolio has doubled in size since Sept. 30.

Mr. Noble said, "We continue to be heavily invested in Europe, emphasizing domestic companies with rising profit margins, and relatively underweighted in Japan, where price-earnings ratios are high and the outlook of corporate profits is worsening."

Although Japan is the largest market outside the United States, the fund has only 18 percent of its equities invested there. Two small markets, the Netherlands and France, account for 22 percent and 14 percent, respectively, of its portfolio.

"Our largest single holding is Michelin, the French tire company," Mr. Noble said.

The fund's "big bet" in Japan, he added, is in railway stocks, accounting for 10 percent of the portfolio. Holdings include Tobu Railway and Odakyi Electric Railway. The group's appeal, Mr. Noble said, is that railway companies are diversified into other areas such as real estate and retailing.

Mr. Stuka of OTC Portfolio said that "14 percent of our holdings now are in high-technology stocks — up from nothing at the start of 1985 and compared with about 9 percent at midyear."

Among larger technology investments are IEC Electronics, a producer of printed circuit boards, and Maxtor Corp., which makes high-capacity disk drives for computers. Elsewhere, major holdings include Crossland Savings, which converted from a mutual savings bank to a publicly traded savings and loan, and Crump Cos., an insurance brokerage. □

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SOMETHING DIFFERENT

Teddy Bears: The Cuddly Collectibles

By Lynne Curry

London

PAM HEBBS is bullish on bears. From her tiny shop, tucked away in north London's Camden Passage, she is a leading buyer and seller of teddy bears, part of a growing band of arctophilists, or bear lovers, who have helped to make teddy bear collecting into big business in the last couple of years.

"I used to say £100 ($140) was a lot for a bloody bear," said Mrs. Hebbs. "Now they're going for £500, even £3,000."

Whether they are being collected as investments or because they represent memories of warmth and security from childhood, bears have "suddenly become a craze," said Olivia Bristol, doll and teddy bear consultant at Christie's auctioneers. "They're lovable creatures. People respond to the idea of cuddly soft things. You can also do other things to them, too."

"You can talk to them and they never talk back," notes Edward Miller, 46, who owns nearly 30 bears, collects Oriental art, and is managing director of the appropriately named Bear Trading & Securities Co. "You can sit on them. You can punch them."

The boom in bears was demonstrated last month at a Christie's auction devoted entirely to teddy bears. More than a hundred people gathered before a dozen television cameras spent more than £20,000 for nearly 200 bears. Prices ranged from £12 to £700 for a dun-colored plush bear with large button eyes, a linen smock and blue trousers.

In May 1985, Sotheby's sold a teddy bear for £2,090, while in October, a 1905 pale silver-furred animal from the Steiff factory in Giengen, West Germany fetched £3,740, believed to be the highest price paid for a bear.

All kinds of people are bear collectors, from executives and secretaries to teachers and technicians. Most are American and British with a smattering of interest shown by the Dutch and Japanese.

Like the collectors, bears come in all shapes and sizes. There are bears on wheels, bears that growl, miniature bears, giant bears, musical bears, dancing bears, and bears that, if you remove the head, reveal lipstick, while concealing a powder compact in their stomachs.

The bear tradition has grown up around some of the more famous members of the ursine family — Winnie the Pooh, Rupert Bear and Paddington Bear. The popularity of bears received an additional boost from "Brideshead Revisited," the British television serial in which Sebastian, one of the main characters, owned a teddy bear called Aloysius, according to Bunny Campione, Sotheby's expert on dolls and teddy bears.

The late Peter Bull, an actor and author who owned Aloysius, wrote the definitive history of teddy bears, called "The Teddy Bear Book." He also organized activities for their owners, including teddy bear picnics and tea parties.

But the real fad for bears started in the United States, where Americans first became aware of their value as collectible items, Mrs. Campione said. As dealers and other Americans have crossed the Atlantic in search of the ideal bear, prices have risen dramatically in the last two years, she said. A sixteen-inch (41-centimeter) high red and gold plush Steiff bear brought £420 in January 1984 and would now command about £1,000.

The antique German Steiff bears are considered the top of the line. The genuine Steiff is a long-armed, golden-colored fellow with big flat feet, crackly stuffing, a large hump on the back, and black button eyes. He often has a metal disk with Steiff inscribed on it in his ear.

"The most valuable are the large ones with long fur and that look really noble," Mrs. Campione said. "They have long angular snouts, a disk in the ear and black button eyes. Then you're talking about £1,000 plus."

A golden, plush-covered teddy bear manufactured by Steiff.

There are various stories about the origin of teddy bears. A Steiff model was exhibited in 1903 at the Leipzig Toy Fair and an American toy importer, looking for something "soft and cuddly," according to the Steiff legend, ordered 3,000 bears. The bear originally was marketed as "Friend Petz," with its trademark "knopf im ohr," button in the ear. In 1908, the company manufactured one million bears.

Around the same time of the development of the Steiff model, bears became immortalized in a 1902 cartoon by Clifford Berryman in the Washington Star. The cartoon showed President Theodore Roosevelt refusing to shoot a small bear cub on a hunting expedition in Mississippi because he could not bring himself to kill such a small, defenseless creature.

According to this story, Morris Michtom, a Russian immigrant and the proprietor of a small candy and toy store in Brooklyn, saw the cartoon and decided to copy the bear. He and his wife cut out the shape of a brown plush bear and stuffed it. Mr. Michtom called it Teddy's Bear. It sold immediately, and Mr. Michtom felt bound to make a bear and send it to the White House asking the president's permission to use his name. He received it, and eventually formed a company that became the Ideal Toy Corp.

The bear craze has encouraged forgeries of the valuable, older Steiff bears. But the experts say there are some clues that reveal whether the bear is a genuine Steiff. The fur of an authentic Steiff teddy not mangled and lies like real fur. The joints and seams are smooth and the eyes are opaque, boot button eyes. Most Steiffs are yellow, beige, cinnamon or blond, and not a dark brown color. The script on the disk is raised and not simply scratched on, although there is still a possibility that a real disk from a genuine Steiff may have been inserted into the ear of a fake bear.

For true bear lovers, these cuddly collectibles hold a special magic. Marie Louise Scio, who owns the Pellicano Hotel in Porto Ercole, north of Rome, has 250 bears and is president of the International Take-a-Teddy-to-Tea Society, a charitable organization, said: "They represent a friend who has the same spirit I have." □

STRATEGY

Finding Profit in Obscurity

NO sooner had the cloud descended on Wall Street last week than H. Lloyd Kanev began hunting for a silver lining. As an analyst for Smith Barney, Harris Upham & Co., it is his job to find those underpriced, obscure stocks that were overlooked in the latest rally. Until last Wednesday, he said, "The problem was that there wasn't much to choose from. Now, I'm scavenging the list of lows every day. Some may have fallen to my price."

If they do qualify, they will be added to Smith Barney's "Inefficient Market Series," a short list of companies with undervalued assets and low price-earnings multiples that generally have been ignored by big institutional investors. The series, begun in January 1985, currently has only eight stocks. Yet the Inefficient Market index showed a gain of 48.9 percent last year, compared with a 26.3-percent advance for the Standard & Poor's 500 index.

In selecting stocks, Mr. Kanev places heavy emphasis on asset value and positive cash flow. "We don't give a darn about earnings," he said. "In fact, we like to look at companies that have earnings problems, provided they are short-term." Another big criteria is that a company is "underfollowed" by investment analysts.

One of Mr. Kanev's best performers last year was American Bakeries, which he continues to recommend. Other favorites include: Seaway Food Town, a supermarket chain in Ohio and Michigan; Wickes Cos., a maker of building supplies; and Mohasco Corp., a carpet and furniture manufacturer.

Mr. Kanev cautioned investors that his selections are long-term plays that can be subject to short-term market fluctuation. □

John Meehan

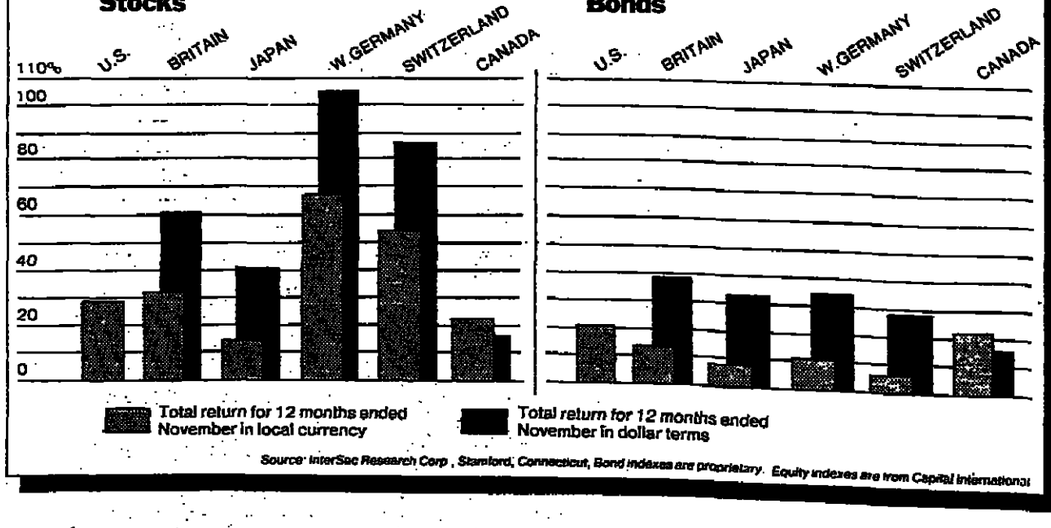
Market Scoreboard

The stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in December.

	Percent Gain	Dec.31 Price		Percent Loss	Dec.31 Price
New York Stock Exchange: Compiled by Media General Financial Services. Prices in dollars					
Holly Sugar	90	130.75	Nicor Inc.	23	21.63
Financial Corp. of Am.	36	19.00	Trans World Air	23	16.25
Thackeray Corp.	34	11.75	Entex Energy Dev.	18	11.13
Alexander's Inc.	34	38.88	Calmat	17	28.25
Purolater Courier	32	23.75	Triton Energy	16	25.50
Ion Pharmaceuticals	32	13.50	Pogo Producing	16	10.88
Midcon Corp.	31	69.50	Louisiana Land & Exp.	16	30.25
Lubrizol Corp.	28	28.00	Alaska Airlines	16	16.13
Allied Products	28	23.63	Ponderosa Inc.	16	13.00
Quick & Reilly	28	32.50	Vornado Inc.	15	70.38
American Stock Exchange:					
Presidential Realty	46	17.38	Turner Broadcasting	18	14 13
Ohio Art Co.	44	35.75	Landmark Bancshares	16	17.75
PEC Israel Economic	39	12.50	American Petrofina A	16	45.25
Kay Corp.	35	18.38	American Royalty Trust	14	12.25
Schwab Safe Co.	33	13.50	Scurry-Rainbow Oil	12	15.88
Over the Counter:					
Refac Technology Dev.	80	15.38	Grist Mill CO.	25	10.13
Span-Amer Medical Sys.	63	22.75	Computer Horizons	23	11.13
On Line Software	57	11.00	Hamilton Oil	22	15.00
Electro Catheter	54	18.13	Forest Oil Corp.	20	14.00
Intellicorp	45	16.00	Aaron Rents Inc.	20	17.25
London Stock Exchange: Compiled by Morgan Stanley Capital International. Prices in pence.					
Plessey	25	278	British Home Stores	22	338
Reuters Holdings B	13	432	Habitat Mothercare	15	458
Allied Irish Banks	13	194	United Biscuits	14	240
BAT Industries	12	418	W.H.Smith & Son A	13	276
Beecham Group	12	94	Trafalgar House	13	346
Lex Services	11	156	Scottish & Newcastle	12	169
Ferranti	11	150	Associated Newspapers	12	910
Unilever	10	172	Powell Duffryn	11	254
Lucas Industries	9	187	Allied-Lyons	11	268
Barratt Developments	8	68	Burmah Oil	11	270
Tokyo Stock Exchange: Compiled by Morgan Stanley Capital International. Prices in yen.					
Japan Air Lines	36	722	Japan Line	24	80
Secom	24	4,050	Taiyo Fishery	18	268
Tokyo Electric Power	22	505	Takashimaya	10	500
Chugai Pharmaceutical	22	1,590	Mori Seiki	9	1,820
Kansai Electric Power	19	992	Nippon Toki (Noritake)	8	468
All Nippon Airways	18	865	Yamazaki Baking	8	812
Takeda Chemical	17	555	Brother Industries	8	555
Kinki Electrical Const.	17	1,290	Fujita Tourist (Kanko)	7	1,410
Matsushita Electric	16	977	Nishin Steel	7	145
Nippon Fire & Marine	16	293	Oki Electric	7	671

Total Return: Stocks Outrun Bonds

Total return measures both the changes in the prices of securities and the income they provide either in dividends or interest. Gains or losses were measured by comparing market indexes with their levels a year earlier. The chart does not take into account taxes or inflation.



Source: InterSec Research Corp., Stamford, Connecticut. Bond indexes are proprietary. Equity indexes are from Capital International.

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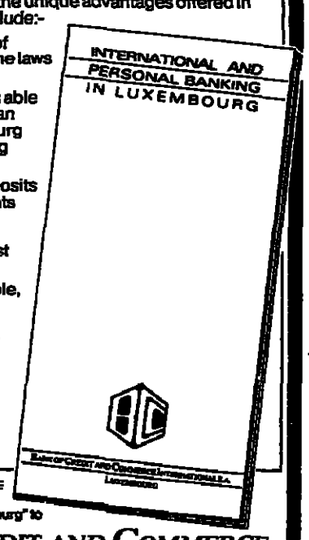

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New Eurobond Issues

Compiled by Laurence Desvilettes from information supplied by European bond traders.

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
FLOATING RATE NOTES						
Citicorp	$500	1998	0.20	100	99.65	Over 1-month Libid. Callable at par in 1991. Fees 0.25%. Denominations $10,000.
Ferrovie Dello Stato	$200	1994	libor	100	99.74	Interest pegged to offered rate for 6-month Eurodollars. Callable at par in 1991. Fees 0.30%. Denominations $10,000.
Indonesia	$300	2001	3/16	100	99.40	Over 6-month Libor. Redeemable at par in 1993 and 1996 and callable at par in 1993. Fees 0.55%. Denominations $10,000.
Korea Development Bank	$100	2001	⅜	100	98.65	Over 6-month Libor. Callable at par in 1987. Exchangeable after 1989 for a 3-year FRN paying ⅛ over 6-month Libor, itself exchangeable for original note. Fees 1.40%. Denominations $10,000.
Woodside Financial Services	$300	1997	libor	100	99.60	Interest pegged to offered rate for 3-month Eurodollars. Callable at par in 1987. Fees 0.50%. Denominations $10,000.
Halifax Building Society	£200	1996	⅛	100	99.65	Over 3-month Libor. Callable at par in 1991. Fees 0.25%.
FIXED-COUPON						
Chrysler Financial	$150	1991	9¼	100⅛	98.88	Redeemable at 99¼ in 1988, 99½ in 1989 and 99¾ in 1990. Fees 1⅞%.
Finland	$100	1991	8½	99½	97.20	Noncallable. Fees 1⅞%.
Manitoba	$125	1991	8¾	100	97.75	Noncallable. Fees 1⅞%.
Mutual Benefit Overseas	$115	1991	8½	99¾	96.75	Noncallable. Sinking fund to start in 1987. Fees 1⅞%. Backed by commercial mortgages.
Mutual Benefit Overseas	$194.5	1996	9¾	99¾	96.13	Callable at 101 in 1994. Sinking fund to start in 1992. Fees 2%. Backed by commercial mortgages.
Mutual Benefit Overseas	$99.7	1998	9¾	99¾	96.25	Callable at 101 in 1996. Sinking fund to start in 1996. Fees 2¼%. Backed by commercial mortgages.
Mutual Benefit Overseas	$456	2006	zero	14.50	13.38	Yield 10.14%. Noncallable. Proceeds $66 million. Fees 0.60%. Backed by commercial mortgages.
Norsk Hydro	$100	1991	8½	99¾	97.75	Noncallable. Fees 1⅞%.
Paccar Financial	$100	1991	9⅛	100¼	97.25	Noncallable. Fees 1⅞%.
Swedish Export Credit	$100	1993	9¼	101⅜	98.75	Noncallable. Sinking fund to start in 1988. Fees 1⅞%.
Council of Europe	FF 450	1993	10½	100⅞	100.50	Noncallable. Fees 1⅞%.
Heineken	DF 150	1991	6½	100½	100.00	Noncallable private placement. Fees 1½%.
Chrysler Financial	ECU 56	1994	9¼	100	97.75	Noncallable. Fees 2%.
Oslo	NK 250	1996	10	100¼	99.38	Callable at 102½ in 1991. Fees 2%. Increased from 200 million NK.
Badische Kommunale Landesbank	Aus$ 30	1991	14¾	100	98.00	Noncallable. Fees 2%.
DG Finance	Aus$ 50	1991	14	100	98.25	Noncallable. Fees 2%.
Fiat Finance & Trade	Aus$ 50	1989	14½	100¼	98.50	Noncallable. Fees 1½%.
Industrie Kreditbank Finance	Aus$ 50	1991	14¼	100¼	97.88	Noncallable. Fees 2%.
Landesbank Schleswig Holstein	Aus$ 30	1991	14¼	100¼	98.25	Noncallable. Fees 2%.
Pepsico Capital Resources	Aus$ 75	1989	14⅛	100	98.50	Noncallable. Fees 1½%.
Asea Finance	Y 10,000	1991	6½	101⅜	99.63	Noncallable. Fees 1⅞%.
Associated Corp. of North America	Y 10,000	1993	6⅝	100¼	98.50	Noncallable. Fees 2%.
Chugoku Electric Power	Y 15,000	1996	7⅝	101⅜	—	Noncallable. Redeemable at maturity at 179.90 yen per dollar for a total of $83.4 million. Fees 2%.
Nippon Kokan	Y 20,000	1996	8	101	99.00	Noncallable. Redeemable at maturity at 181.03 yen per dollar for a total of $110.47 million. Fees 2%.
EQUITY-LINKED						
Kobe Steel	$100	1991	5⅝	open	101.50	Noncallable. Each $5,000 bond with one warrant exercisable into company's shares at an expected 2½% premium. Fees 2¼%. Terms to be set Jan. 14.
Sumitomo	$100	1991	open	100	102.88	Coupon indicated at 5%. Noncallable. Each bond with warrants exercisable into company's shares at an expected 2½% premium. Fees 2¼%. Terms to be set Jan. 20.
UBS Finance	$300	1993	5½	100	103.00	Noncallable. Each $1,000 bond with four 3½-year warrants exercisable into company's bearer participation certificates at 222 Swiss francs each, and four 6-year warrants exercisable into company's BPCs at 242 francs each. Fees 2¼%.
WARRANTS						
Phibro-Salomon	0.015	1987	—	—	$550	Call warrants, each to buy 10,000 ecus at $0.8865 each.
Phibro-Salomon	0.015	1987	—	—	$500	Put warrants, each to sell 10,000 ecus at $0.8765 each.

Bond Prices Stage Decline On Selling By Dealers

By H.J. Maidenberg
New York Times Service

NEW YORK — U.S. Treasury bond prices have fallen sharply, but money-market analysts said the decline was largely the result of pre-weekend liquidation by dealers.

The longer maturities bore the brunt of selling Friday.

But the rising yields also spread

U.S. CREDIT MARKETS

to the short end of the market, where Treasury bill rates advanced, as prices fell.

The gloom in the credit markets was deepened by renewed fears that recently adopted legislation to bring about a balanced federal budget might be declared unconstitutional, diminishing the chances for reducing the federal deficit.

By Friday evening, the bellwether long Treasury bond, the 9⅞-percent issue of 2015, was offered at 103 1/32, down 1 7/32, with the yield climbing to 9.56 percent, from 9.43 percent the previous day.

"Whenever there is a sudden rebound in bond yields, such as the one last week, institutional buyers naturally wait to see how much further prices will erode before they venture back into the market," said William S. Coleman, president of DBL Government Securities, the trading arm of Drexel Burnham Lambert Inc. "But even before the backup in rates, institutional buyers have been scarce since before Christmas."

Mr. Coleman said many dealers had also pared holdings because they expect this week's flow of government statistics to indicate that the economy is strengthening. If so, it could dash the hopes of investors who had expected the Fed's discount and other basic rates to decline.

The indicators scheduled to be released include monthly reports on consumer credit, industrial production, plant capacity utilization, inventories, housing starts and retail sales.

In the secondary market for current Treasury bills, the discount rate on the one-year bill climbed eight basis points at 7.39 percent; the 90-day issue rose five basis points at 7.25 percent, with the companion six-month bill rate gaining three basis points, at 7.34 percent. A basis point is a hundredth of a percentage point.

U.S. Consumer Rates
For Week Ended Jan. 10

Passbook Savings	5.50 %
Tax Exempt Bonds Bond Buyer 20-Bond Index	8.04 %
Money Market Funds Donoghue's 7-Day Average	7.47 %
Bank Money Market Accounts Bank Rate Monitor Index	6.73 %
Home Mortgage FHLB average	12.08 %

Syndicated Loans Dominate Year's Early Trading

By Carl Gewirtz
International Herald Tribune

PARIS — The international credit market opened the new year with a light calendar of new business dominated by syndicated bank loans, the slowest growing sector of the market for the past three years.

The predominance of syndicated loans reflected special circumstances. In the case of the International Bank for Economic Cooperation, no East-bloc borrower has yet issued Euronotes or Euro-commercial paper, the fastest growing sectors of the credit market.

IBEC, owned by the countries of Comecon, is seeking $100 million for seven years and is offering ¼ point over the London interbank offered rate for the first five years and ⅜ point over Libor for the final two years. Front-end fees of up to 20 basis points, or 0.2 percent, are offered to banks putting up $10 million.

The loan is being syndicated on a club basis and is not being offered to U.S. banks because the ownership includes countries that the U.S. banks do not lend to — Cuba and Vietnam. The Soviet Union, the largest shareholder, has a 38-percent stake in the bank.

Beneficial Finance is in the market for a five-year revolving credit of $200 million. The structure of this loan makes clear that the company does not intend to fully draw it. In addition, bankers say, U.S. corporate borrowers below the triple-A level, are not especially welcome in the note or commercial-paper market.

Bankers report that the small but growing sector of institutional investors limit their purchases to only triple-A names, preferring government guaranteed paper to corporate issues, and that commercial banks — the biggest takers of paper

INTERNATIONAL CREDIT

— have yield requirements that single- and double-A rated corporations are usually unwilling to pay.

Beneficial is offering lenders an annual commitment fee of 10½ basis points, which rises to 12½ points after 180 days' cumulative use of the facility. Interest on the drawings is set at 15 basis points over Libor, rising to 20 points after 90 days' cumulative usage. Thus, if fully drawn, banks would earn 32½ basis points per year.

Standard Life Assurance Co. of Britain, which last week asked banks to bid terms for a seven-year, $250-million loan, is expected to be in the market shortly.

Nersa (Centrale Nucleaire à Neutrons Rapides SA), owned by French, Italian and West German electricity companies, is tapping the market for a 10-year loan of £125 million. Interest is set at ⅛ point over Libor for the first three years and 3/16 point over thereafter. In part, the proceeds will be used to prepay £85 million of more expensive loans arranged in 1984.

The Spanish tollways Europistas and Eurovias, which becomes part of Europistas next May, are also renegotiating existing loans: Europistas for $33 million or its equivalent in Deutsche marks or Swiss francs and Eurovias $51 million or its equivalent. Interest is to be set at ¼ point over Libor for the first four years and ⅜ point thereafter.

EDP, Portugal's government-owned electric utility, is seeking an eight-year loan of $100 million equivalent in European currency units or other currencies. It will pay ⅜ point over Libor.

Ste. Lyonnaise de Banque, the largest regional bank in France, is making its debut in the international market with a novel structure.

SLB plans to issue up to $50 million in one-, three-, or six-month certificates of deposit denominated in dollars or ECU and is asking banks to provide a five-year backup line of credit. Underwriters will be paid an annual fee of 10 basis points and stand ready to take the CDs at a maximum charge of 10 basis points over Libor.

The novelty is that, instead of taking their annual underwriting fee in cash, banks can elect to arrange with SLB a line of credit in French francs. This is expected to appeal to foreign banks in France whose deposit base is too small to support their operations. The cost of the SLB line would be cheaper than raising funds in the interbank market or money market. At the same time it would help SLB widen relationships in the international market.

In the commercial-paper market, Pepsico has appointed Salomon Brothers, Swiss Bank Corp. and Union Bank of Switzerland to market short-term notes issued by subsidiaries but guaranteed by the parent U.S. company. The notes, denominated in either dollars or ECU, will be issued for maturities ranging up to 183 days. There is no stated maximum amount that may be issued.

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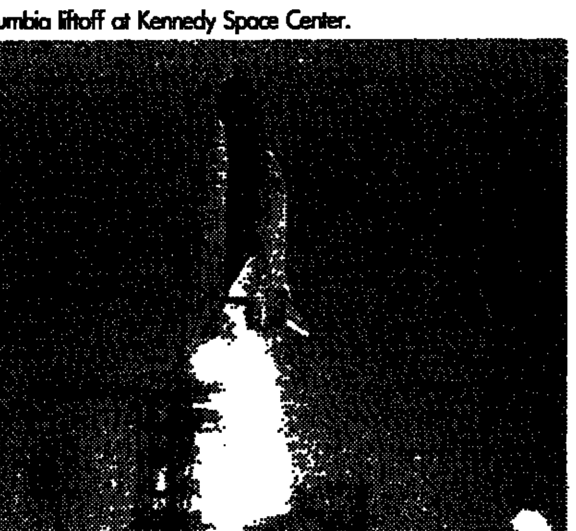
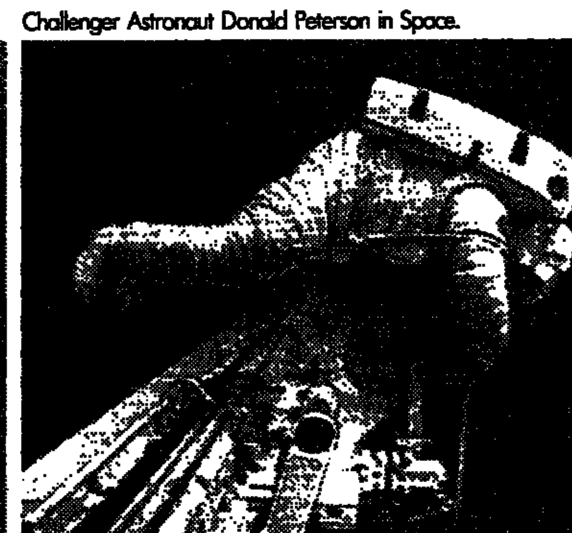


Challenger Astronaut Donald Peterson in Space.



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Belgium	B.Fr.	9,020	4,876	2,668
Denmark	D.Kr.	1,930	1,040	570
Finland	F.M.	1,410	760	414
France	F.F.	1,200	644	359
Germany	D.M.	482	261	144
Great Britain	£	101	55	30
Greece	Dr.	15,600	8,464	4,692
Netherlands	Fl.	550	298	166
Ireland	£Irl.	115	62	34
Italy	Lire	276,000	149,040	82,800
Luxembourg	L.Fr.	9,020	4,876	2,668
Norway	N.Kr.	1,420	765	423
Portugal	Esc.	13,800	7,450	4,090
Spain	Ptas.	21,200	11,500	6,300
Sweden	S.Kr.	1,470	795	434
Switzerland	S.Fr.	432	233	129
Rest of Europe, North Africa, former French Africa, U.S.A., French Polynesia, Middle East	$	322	174	95
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Ups and Downs in New York Stump Euromarket

(Continued from Page 7)

March 1986 to November 1989 at a price of 222 Swiss francs, a premium of 5.7 percent over Friday's quote on the Zurich stock exchange; and a second for four shares to be bought until January 1992 at a price of 242 francs, or a premium of 15.2 percent.

The different pricing is aimed at spreading the share purchases out over time to avoid putting pressure on the price of the stock.

Sumitomo Corp. offered $100 million of five-year, 5-percent bonds with warrants to buy shares at a premium that is expected to be set at around 2½ percent over the current Tokyo price. The bond, which is expected to be offered at par, ended the week at 102¾.

Fujitsu is expected to sell $250 million of bonds with equity warrants later this month and Mitsubishi Heavy Industries is slated to tap the market for $200 million. Japanese bankers report issuers are switching from the Swiss franc market to the dollar market. The "economics are better," one banker said. By this he said he meant the terms could be priced more aggressively to favor the issuer.

Japanese issuers continued to offer dual currency bonds, where investors pay to buy the bonds in yen and receive coupon payments in yen but receive repayment of principal in dollars. Chugoku Electric Power set a redeemable exchange rate of 179.90 yen per dollar and Nippon Kokan 181.03. The difference in the repayment rate is explained by the different coupons and offering prices.

This paper is designed for sale to Japanese investors and bankers report that demand is not strong.

In the classic Euroyen market, Asea, the big Swedish industrial company, and Associated Corp. of North America issued 10 billion yen each: Asea for five years bearing a coupon of 6½ percent and an offering price of 101⅜ and ACNA for eight years paying 6⅝ percent with an issue price of 100¼.

The Australian dollar market was very active — most observers would say too active — with six issues totaling 285 million dollars put on offer. West German investors are the most attracted to these high coupon issues. They can pick up an extra 7½ percentage points a year in interest income over what they could earn investing in Deutsche mark bonds, giving them a large cushion to soften the likely decline of the Australian currency against the mark.

As a result, issues by West German entities are usually the quickest to be placed. But with four of last week's issues made by West Germans, even that paper moved slowly. In fact the non-German issues by Fiat and Pepsico fared better thanks to the shorter three-year maturities, compared with the five-year paper issued by the Germans.

Bankers reported strong demand for the Council of Europe's 450 million worth of French franc bonds. This eight-year paper bearing a coupon of 10½ percent was offered at 100⅞ and ended the week at 101.

Heineken's 150 million guilders of five-year, 6½-percent notes also was well received and ended the week down a half-point from the 100½ issue price.

But the European currency unit was not in demand. ECU bank deposit rates are higher than coupons offered on the bonds and the 9¼-percent coupon Chrysler Financial set on its issue of 56 million units found little support. The eight-year paper, offered at par, ended the week down 2½ points.

SELECTED U.S.A./O.T.C. QUOTATIONS

	BID	ASK
Apollo Comp.	13	13¼
Mr Gasket	9¼	9⅜
Bitter Corp.	5	5½
Modulaire	11⅜	11⅝
Rodime	11⅜	11⅝

WITH COMPLIMENTS OF CONTINENTAL AMERICAN

Drexel Tries to Widen Its Business Activities

(Continued from Page 7)

said Mr. Joseph, who even wooed his brother, Stephen, from his spot as a managing director at Salomon Brothers to head Drexel's new mortgage-backed securities department.

Employment at Drexel has swelled from 5,300 at the end of 1983 to 8,000, and much of that hiring was within the past year.

Drexel is in the tough position of having to establish itself in areas where competitors have often already carved out a franchise. It must do it quickly in light of what may be the demise of Drexel's golden days in junk bonds.

New competition for junk bonds has cut into Drexel's market share and, although Drexel is still the clear leader, others are gaining. In 1985, the year when junk bonds became headline news, Drexel's share of the financing market fell to 56 percent, from 64 percent a year earlier, according to IDD Information Services. Drexel underwrote $8.3 billion in junk bonds, last year, down from $9.6 billion in 1984.

Even more troublesome is the measure adopted Jan. 8 by the Federal Reserve Board that imposes margin requirements on certain types of takeovers involving junk bonds, a move Drexel executives concede will hurt their business. Legislation restricting unfriendly takeovers was also recently enacted in New York, and there are worries that other states may follow.

This does not mean that Drexel's junk-bond business will dry up. It just will not be so big a money maker in the future. Largely as a result of junk bonds, Drexel's revenues have soared. It announced revenues of $2.25 billion for the year, and Perrin Long, an analyst with Lipper Analytical Services, estimates that it earned $280 million to $300 million in 1985. Drexel would neither disclose its net income nor comment on the accuracy of Mr. Long's estimate.

"Drexel can lose the megadeals in junk bonds and still be profitable," said Paul Kelly, president of Peers & Co., a New York merchant bank. "They just won't be so extraordinarily profitable."

Drexel's success in representing corporate raiders — such as Saul Steinberg and Carl C. Icahn — could come back to haunt the firm as it tries to woo more establishment corporations with higher credit ratings. "Drexel is the outsider, the non-establishment player," said Roger Miller, a managing director at Salomon Brothers. "They don't have too many relationships with the Fortune 500. Remember, they prey on them."

Drexel's image may suffer because of its client list, but top executives shrug this off.

"These are just jealous comments by people who can't get into the business," Drexel's Mr. Linton said. "We'd love to be loved and admired. We'd love to have the Goldman, Sachs image. But we want to do the business first."

Just as Drexel has succeeded quite nicely so far without corporate blue-chip clients, it believes it will continue to succeed without them. Drexel's officials argue that their clients are the up-and-coming corporations and that many of today's big corporations may not be tomorrow's best credit risks.

"Everyone underestimates the rate of change of the relative standing of American corporations," Mr. Joseph said. "Some of the Fortune 100 companies of 40 years ago are not on the list anymore. We want to be with the entrepreneur and the guy of the future."

But corporate finance, which already accounts for about one-third of Drexel's revenues, is only one sought-after growth area. In municipal finance, Drexel has gone from being ranked as the 40th-largest participant to No. 11 or No. 12.

The mortgage-backed securities department, which includes a broad range of activities related to thrift institutions, has grown from nothing to 270 employees in a two-year period. This department, which was expected to break even in 1985, instead turned a profit greater than the $20 million the department was expected to earn in 1986 and is expected to contribute about 20 percent of profits five years from now. Drexel has also invested heavily in financial futures trading, growing from nothing four years ago to 135 specialists now working out of four offices around the world.

Drexel is alone in pioneering transactions that allow corporations to restructure their balance sheets and bypass registration requirements. This is because the securities are swapped only with existing holders, and no new investors are solicited. Drexel has done 100 of these arrangements, representing $4.1 billion in securities. Of these, about 40 were troubled companies, 12 of which were existing Drexel clients.

That is the type of activity Mr. Joseph likes to cite when showing how junk-bond expertise can translate into new business. "We've got our golden goose," he said. "Now we want to protect it."

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

	Div.	Yld.	Sales in 100s	High	Low	Close	Net Ch'ge
[illegible]							

(Continued on Page 15)

American Exchange Options

Figures as of close of trading Friday.

Option & price	Calls		Puts	
[illegible]				

Total Volume: [illegible]
Open Interest: [illegible]
r—Not traded. s—None offered. o—Old.

Treasury Bills

Figures as of close of trading Friday

Hi	Lo	Mat	Bid	Ask	Yld	Chg
[illegible]						

Last Week's NYSE

NYSE Most Actives

	Vol.	High	Low	Last	Chg.
[illegible]					

NYSE Diaries

	This Wk	Last Wk
Advanced	767	1332
Declined	1330	429
Unchanged	174	253
Total issues	2253	2215
New Highs	472	276
New Lows	25	14

NYSE Sales

	Sales Vol.
Total for week	732,120,000
Week ago	408,610,000
Year ago	589,803,000
Two years ago	514,528,000
Jan 1 to date	934,128,000
1985 to date	743,980,000
1984 to date	998,420,000

NOTICE TO THE HOLDERS OF

YAMANOUCHI PHARMACEUTICAL CO., LTD.

5⅛% Convertible Debentures due December 31, 1996

Pursuant to Section 3.06 of the Company's Indenture dated as of August 1, 1981 relating to the above-mentioned Debentures, notice is hereby given as follows:

1. On November 26, 1985, the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record as of December 31, 1985 in Japan [illegible]

2. [illegible]

YAMANOUCHI PHARMACEUTICAL CO., LTD.
By: The Bank of Tokyo Trust Company as Trustee

Dated: January 9, 1986

يوباف

U.B.A.F.

Union de Banque Arabes et Françaises - U.B.A.F. have announced their acquisition of a 51% shareholding in UBAN International Limited in Hong Kong.

This significant development is yet another success of U.B.A.F. in completing their network coverage of the Far East and South East Asia.

U.B.A.F. is already present in Tokyo, Seoul and Singapore. A new branch is due to be opened shortly in Osaka.

The new acquisition of the majority holding in UBAN International Limited substantially adds to the active role of U.B.A.F. in financing Far Eastern international trade and more particularly the Chinese international trade.

صكرا من الاصل

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

(Continued from Page 14)

Last Week's AMEX

AMEX Most Actives

Vol.		High	Low	Last	Chge.
WangB	142959	19⅞	18½	18¾	—⅝
Wickes	60226	5	4⅝	4⅝	
BAT In	47975	4¾	4½	4½	—⅛
DomeP	15934	2⅝	2½	2½	—⅛
AM Intl	15690	6	5⅝	5¾	
ChtMA s	14588	21⅛	19⅛	19¼	—1⅛
EchoB g	13340	15⅛	13¼	15	+1⅛
TexAir	11806	15¼	14⅝	15	+¼
GtfCd g	10330	15	14⅝	14⅝	—¼
TIE	10318	7	5⅝	6¼	—⅝
NtPoint	7669	24¼	20½	22	—1½
Lionel	7297	6¼	5⅝	6	+¼
HmeG n	7187	26½	24¼	24⅝	—¼
Husky g	7166	7⅝	7⅛	7¼	—⅛
SterlSR	7162	15⅛	12½	14⅝	+1⅝
WDigitl	7064	11¾	10⅝	10⅝	+⅛
Hasbr s	7060	35⅝	33¾	33⅞	+⅛
Amdahl	6047	15⅛	13½	14¼	—⅛
IntThr n	5942	5	3¼	4¼	+⅛
KeyPh	5654	11¼	10⅝	10⅝	+⅛
InstSy	5488	2	1⅝	1⅞	+⅛
TotPt wt	4970	2⅝	1⅝	2⅝	+1⅛
PallCo s	4543	31½	28⅜	29	—1⅛
AlzaCp	4453	30¼	28⅝	30¼	+½
NYTimes	4165	51½	49	49⅝	+½

AMEX Diaries

	This Wk.	Last Wk.
Advanced	311	544
Declined	457	211
Unchanged	147	164
Total Issues	915	919
New Highs	105	95
New Lows	21	19

AMEX Sales

	Sales Vol.
Total for week	70,790,000
Week ago	42,880,000
Year ago	36,470,000
Jan 1 to date	86,940,000
1985 to date	51,950,000
AMERICAN BONDS	
Total for week	12,760,000
Year ago	8,710,000

Kredietlux Indices — Jan. 10

(Base 100 May 1, 1977)

Industrials US $ L.T.	103.674
Int'l Institutions US $ L.T.	111.085
US $ medium term	107.324
Canadian $ medium term	108.065
ECU medium term	105.568
UC 9	93.665
DM	
Guilders	102.969
FF short term	101.338
F Lux	104.552
Int'l Inst. F Lux medium term	104.986
F Lux medium term	102.324
Int'l Inst. Yen long term	104.718
ECU short term	104.810
ECU long term	104.103

Mutual Funds

Figures as of close of trading Friday

NEW YORK (AP)—The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

NL—No load (sales charge). f—Previous day's quote. r—Redemption charge may apply. x—Ex dividend.

EUROPEAN COMMUNITY

Treaty Reform Package Clears Penultimate Barrier

By Steven J. Dryden

International Herald Tribune

BRUSSELS — The Danish parliament now appears to be the only barrier to final approval of the reforms agreed to at last month's European Community summit meeting.

A European parliament committee reluctantly recommended last week that the full parliament give its approval to the changes in the Treaty of Rome, the 1957 document that created the community, even though they fell far short of the reforms the legislature supported.

Italy had based its acceptance of the changes on the European Parliament's position.

However, the minority center-right government of Denmark, the other EC member holding up its approval of the reforms, faces a new challenge from the opposition Social Democratic Party.

Members of parliament from the party, whose support the Danish government needs to approve the treaty changes, reaffirmed last week their opposition to the package. The party believes the changes will weaken Danish sovereignty.

The Danish parliament, the Folketing, will debate the treaty changes on Jan. 21. Some political observers believe a referendum on continued EC membership may be necessary to resolve the issue.

The changes in the treaty must be approved by all 10 member states to go into effect.

A major reform is an increase in the number of areas in which a majority vote, rather than unanimity, is sufficient to eliminate barriers to intra-community trade. Other reforms would encourage closer cooperation in foreign policy and modestly increase the role of the European Parliament in community decision-making.

Import Duty Re-Imposed On Saudi Polyethylene

The community has quickly re-imposed customs duties on polyethylene imports from Saudi Arabia, bringing the issue of petrochemical trade back to the forefront of EC-Middle East relations.

Last year, Saudi officials criticized a similar levy on petrochemical products and hinted at possible retaliation.

The issue has complicated efforts to conclude the first trade agreement between the EC and the Gulf Cooperation Council, whose members are Saudi Arabia, Bahrain, Oman, Qatar, the United Arab Emirates and Kuwait. The Gulf bloc constitutes one of the EC's largest trade partners.

The community made a goodwill gesture to the Middle East nations in December when it raised the ceilings under which certain petrochemical products could be imported free of duty during 1986.

These ceilings, however, were surpassed in two categories, linear polyethylene and high-density polyethylene, several days after the beginning of the new year. Duties of 12.5 percent have been placed on both products.

The growth of petrochemical industries in the Middle East has frightened European producers, who are suffering from overcapacity, with the prospect of competing with cheaper exports in their own markets.

French Envoy's Removal Seen as Political Event

The replacement of the French permanent representative to the EC is seen in Paris and Brussels as more than just a routine change of assignments.

The envoy, Luc de la Barre de Nanteuil, has been called back to Paris after serving only 14 months as the EC representative. French government sources said his replacement would be François Scheer, a career diplomat who is currently the ambassador to Algeria.

The newspaper Le Monde in Paris speculated that Mr. de Nanteuil had been removed by President François Mitterrand as part of his preparation for Socialist Party losses in the legislative elections in March.

Mr. de Nanteuil has been under suspicion because of his private criticisms of the Socialist government, Le Monde said. If Mr. Mitterrand foresees a difficult *cohabitation* with the political opposition after March, he may not want Mr. de Nanteuil in such a key post, the newspaper said.

Mr. Scheer, while not part of Mr. Mitterrand's inner circle, did serve as the chief of staff for Claude Cheysson during his tenure as Mr. Mitterrand's foreign minister.

EC Moves to Retaliate For U.S. Barriers to Steel

EC officials have made a tentative decision to retaliate against two U.S. exports following the latest American limitations on European steel products, community sources said.

The sources said that officials last Friday recommended that restrictions be placed on U.S. fertilizers and paper products. The recommendations must be approved by senior officials later this week.

The retaliation could provoke a counter-move by the United States against other EC products, but the U.S. exports chosen by the community are not considered to be important enough to set off a major trade battle.

The dispute began with the U.S. decision to restrict imports of EC semifinished steel to 600,000 metric tons a year until 1989.

The community and the United States agreed in November on a four-year pact regulating EC steel exports but semifinished products were not included in the arrangement.

Chicago Exchange Options

Figures as of close of trading Friday.

Total Volume: 640,296
Open Interest: 6,071,802
r—Not traded. s—None offered. o—Old.

INTERNATIONAL CLASSIFIED

(Continued From Back Page)

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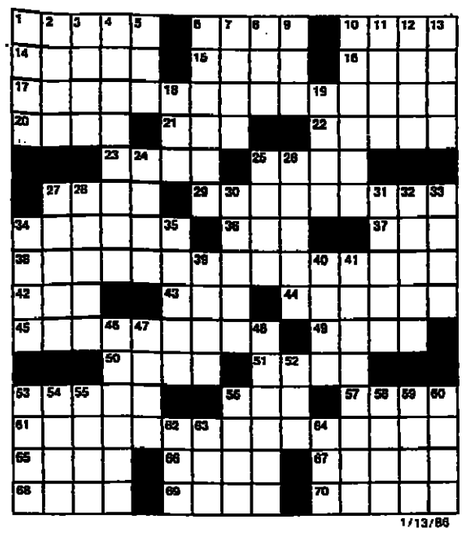

1/13/86

ACROSS

1 The same
6 Hunky-dory
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DOWN

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25 Protuberance on a toad
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59 Type of sign
60 Sicilian resort
62 Start of a kindergarten song
63 —— volente (God willing)
64 Done —— turn

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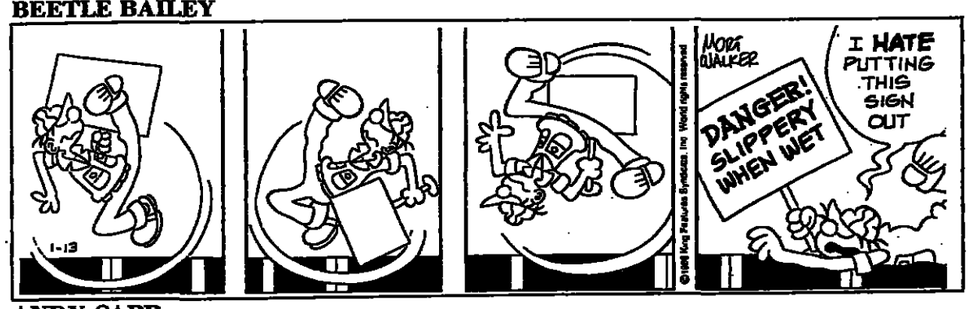
PEANUTS

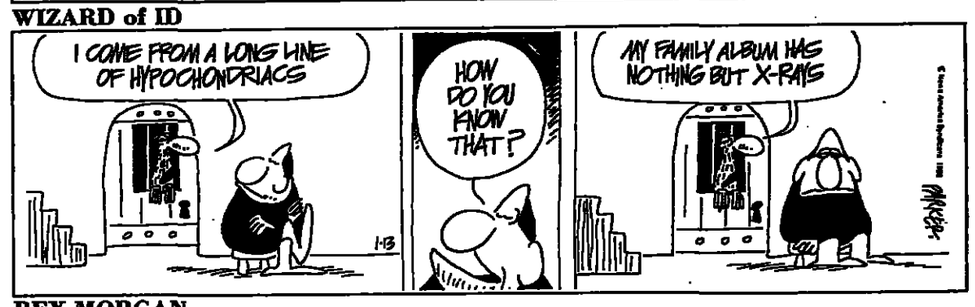
BLONDIE

BEETLE BAILEY



ANDY CAPP

WIZARD of ID



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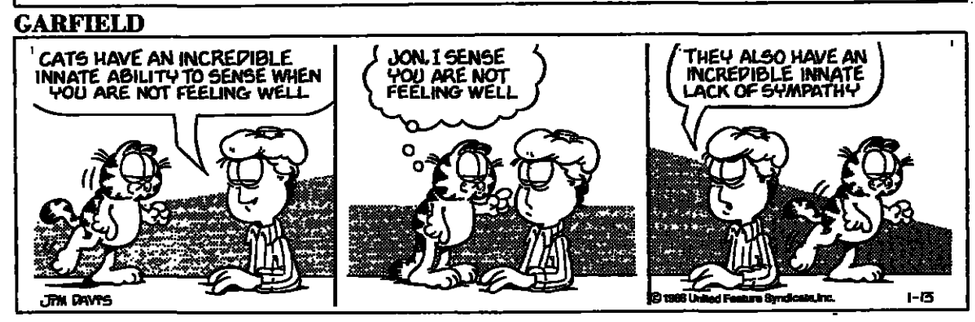
GARFIELD



DENNIS THE MENACE

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RIBAN
ZELZUG
IMPERR

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: A "○○○○○○"

(Answers tomorrow)

Friday's Jumbles: ANNOY OCCUR IMPAIR TREMOR
Answer: What wedding fees usually amount to— THE "UNION" RATE

WEATHER

EUROPE	HIGH C	HIGH F	LOW C	LOW F	
Algarve	18	64	8	46	fr
Amsterdam	7	45	5	41	c
Athens	16	61	6	43	fr
Barcelona	17	63	6	43	fr
Belgrade	6	32	-2	28	sw
Berlin	5	41	2	36	c
Brussels	—	—	—	—	cl
Bucharest	—	—	—	—	sw
Budapest	-1	30	-4	25	c
Copenhagen	4	39	2	36	c
Costa Del Sol	20	68	14	57	fr
Dublin	8	46	2	36	fr
Edinburgh	8	46	3	37	fr
Florence	—	—	2	36	fr
Frankfurt	6	43	2	36	r
Geneva	6	43	2	36	sh
Helsinki	-3	27	-7	19	sw
Istanbul	—	—	—	—	c
Las Palmas	22	72	15	59	fr
Lisbon	15	59	10	50	fr
London	8	46	3	37	cl
Madrid	7	45	0	32	fr
Milan	6	43	-1	30	fr
Moscow	-11	12	-16	3	fr
Munich	-3	27	-5	23	cl
Nice	—	—	—	—	fr
Oslo	-3	27	-7	19	sw
Paris	-1	—	4	39	cl
Prague	3	37	1	34	sw
Reykjavik	2	36	-1	30	fr
Rome	16	61	6	43	fr
Stockholm	1	34	-1	30	c
Strasbourg	7	45	2	36	c
Venice	4	39	0	32	fr
Vienna	5	41	—	—	cl
Warsaw	3	37	1	34	r
Zurich	4	39	1	34	c
MIDDLE EAST					
Ankara	—	—	-1	30	cl
Beirut	—	—	—	—	na
Damascus	—	—	—	—	na
Jerusalem	9	48	6	43	c
Tel Aviv	14	57	9	48	r
OCEANIA					
Auckland	—	—	—	—	na
Sydney	25	93	20	68	fr

ASIA	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	29	84	16	61	cl
Beijing	2	36	-6	18	fr
Hong Kong	19	66	14	57	cl
Manila	31	88	23	73	cl
New Delhi	21	70	12	54	fr
Seoul	-2	28	-12	10	fr
Shanghai	13	55	3	37	cl
Singapore	27	81	21	70	r
Taipei	23	73	14	57	fr
Tokyo	9	48	0	32	fr
AFRICA					
Algiers	19	66	5	41	fr
Cairo	—	—	12	54	na
Cape Town	29	84	17	63	cl
Casablanca	18	64	7	45	cl
Harare	28	82	17	63	cl
Lagos	31	88	—	—	cl
Nairobi	—	—	—	—	na
Tunis	19	66	10	50	fr
LATIN AMERICA					
Buenos Aires	36	97	17	63	cl
Caracas	27	81	17	63	cl
Lima	—	—	—	—	c
Mexico City	22	72	4	39	fr
Rio de Janeiro	—	—	—	—	na
NORTH AMERICA					
Anchorage	-1	30	-6	21	cl
Atlanta	17	63	3	38	fr
Boston	8	46	-3	27	fr
Chicago	4	39	0	32	fr
Denver	12	54	-3	27	fr
Detroit	7	45	1	34	cl
Honolulu	27	81	16	61	fr
Houston	21	70	3	37	fr
Los Angeles	28	82	13	55	fr
Miami	22	72	12	54	fr
Minneapolis	2	36	-1	34	fr
Montreal	2	36	-14	7	fr
Nassau	26	79	21	70	sh
New York	10	50	-1	30	cl
San Francisco	15	59	8	46	pc
Seattle	11	52	4	39	pc
Toronto	2	36	-5	23	pc
Washington	13	55	2	36	fr

Cl-cloudy; fo-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sw-snow; st-stormy.

MONDAY'S FORECAST — CHANNEL: Very choppy. FRANKFURT: Cloudy early, rainy later. Temp. 5—1 (41—34). LONDON: Rainy. Temp. 8—3 (46—37). MADRID: Foggy early, fair later. Temp. 11—0 (52—32). NEW YORK: Cloudy. Temps. 2—1 (36—34). PARIS: Rainy. Temps. 10—3 (50—37). ROME: Fair. Temps. 17—5 (63—41). TEL AVIV: Fair. Temps. 16—8 (61—46). ZURICH: Fair early, cloudy later. Temps. 4—0 (39—32). BANGKOK: Fair. Temps. 29—17 (84—63). HONG KONG: Fair. Temps. 18—14 (64—57). MANILA: Fair. Temps. 29—26 (84—68). SEOUL: Foggy. Temps. -7—-15 (19—5). SINGAPORE: Showers. Temps. 33—23 (73—73). TOKYO: Fair. Temps. 7—1 (45—30).

BOOKS

THE AFFAIR:
The Case of Alfred Dreyfus

By Jean-Denis Bredin. Translated from the French by Jeffrey Mehlman. 628 pages. Illustrated. $24.95.
George Braziller Inc., 1 Park Avenue, New York, N. Y. 10016.

Reviewed by John Gross

SOME time around 1930 a French magazine published a cartoon, showing an elderly man with a small child sitting on his lap. The man, though he wasn't identified, was unmistakably Alfred Dreyfus; the child was entreating him, "Papa, tell me a story."

And now Papa's story has been told once again. There have been many books about the Dreyfus affair, but Jean-Denis Bredin's book is one of the best of them — lucid, well-organized, informed by a fine sense of drama. For anyone wanting to learn about the affair from scratch, it is the right place to begin; for old hands, it offers both fresh insights, and a chance to revisit perpetually fascinating territory.

Bredin threads his way through the whole labyrinthine tale, from the court-martial that sent Dreyfus to Devil's Island in 1894, for allegedly passing secrets to the Germans, to his final rehabilitation in 1906. He carefully examines the documents in the case, beginning with the notorious *bordereau* — the memorandum retrieved from a wastebasket in the German Embassy that set the affair in motion; he shows the same thoroughness in summing up the personalities who became embroiled, from Zola and Clemenceau to Colonel Georges Picquart, the officer who discovered the identity of the true culprit, Major Ferdinand Walsin Esterhazy, and refused to let his anti-Dreyfus prejudices override his conscience.

Here, too, are the ramifications of the military cover-up, the gradual swelling of public controversy, the initial exoneration of Major Esterhazy — all the twists and turns down to the second court-martial at Rennes in 1899 that upheld Dreyfus's conviction, and the presidential pardon that he accepted not long afterward, setting the moderates among his supporters against the all-or-nothing purists.

Much of the fascination of the affair lies in its detail, and lengthy though Bredin's book is, he needs all the space at his disposal. A lawyer himself, he is particularly good on the legal background, and on such relatively neglected aspects of the story as the courageous role played by Dreyfus's first attorney, Edgar Demange, a conservative whose qualities have tended to get slighted in comparison with those of the better-known, more fiery Dreyfusard lawyer, Fernand Labori.

Bredin's explorations beyond the courtroom yield even more engrossing results. There is the extraordinary correspondence between Maximilien von Schwarzkoppen, the German military attaché in Paris, and his Italian opposite number, Alessandro Panizzardi. There are the lunatic theories of the anti-Dreyfusard handwriting expert Alphonse Bertillon, a famous figure in his day. There is the almost limitless effrontery of Esterhazy, who in the midst of his troubles found time to become a partner in a brothel and devise an elaborate scheme for swindling a young cousin out of his inheritance.

The melodramatic and bizarre aspects of the affair are not enough in themselves, however, to account for its lasting interest. It also precipitated a crisis that laid bare deep divisions within French society; and, erupting at the very end of the 19th century, it prefigured some major 20th-century themes.

The most obvious of these is political anti-Semitism. Bredin has no doubt about how central it was to the response Dreyfus aroused that he was a Jew, and he supplies chilling evidence of the extent of the anti-Semitic hatred that the affair either unleashed or brought into focus.

To say that much of it was encouraged by forces within the Roman Catholic Church is not to minimize its violence — not in an atmosphere in which a priest could publish an article on Zola entitled "Disembowel Him!". Still, for the very worst examples you have to turn to the anti-Semitic press. Even a Nazi would have found it hard to outdo the pathological fantasies accompanying many of the contributions sent to the paper La Libre Parole, when it organized an appeal on behalf of the family of Lieutenant Colonel Hubert Joseph Henry, so that they could sue a prominent Dreyfusard who had attacked him. (Henry had committed suicide after the forgeries with which he tried to strengthen the case against Dreyfus were exposed.)

Yet it is important to remember, as Bredin points out, that the worst excesses were the work of a small minority.

The essential confrontation the affair triggered was between traditional France and republican France. If it opened up new opportunities for the far right, it also inspired a new enthusiasm in defense of republican values; its single most important result may well have been to rally the working-class movement to the defense of the state (though it might have been a different story if the French Socialists had been led by someone with less breadth of vision than Jean Jaurès — and even he hesitated before becoming involved in what looked to him at first like a bourgeois squabble).

Bredin analyzes the political consequence of the affair with the same acuteness that he brings to his discussion of its historical background. But he never loses sight of the individual destinies that were at stake, and not the least of his achievements is the amount of understanding he shows for the outwardly stiff and not particularly sympathetic figure of Dreyfus himself.

John Gross is on the staff of The New York Times.

Solution to Friday's Puzzle

O	A	H	U		E	L	S	A		A	R	A	B	S
P	L	A	N	A	T	I	O	N		S	O	F	I	A
T	O	M	D	I	C	K	A	N	D	H	A	R	R	Y
S	P	A		K	E	E	N	E	R		N	O	D	S
		N	Y	E	T		D	X	I	V				
R	U	D	E	N	E	S	S		B	E	T	H	E	L
A	V	E	R		R	I	O			N	I	E	C	E
B	U	G	B	E	A	R		S	T	I	P	E	L	S
A	L	G	A	L			L	A	R		P	L	A	T
T	A	S	S	E	L		E	T	I	O	L	A	T	E
			C	O	R	A		A	T	E	N			
A	S	E	A		L	E	R	I	N	A		D	N	A
H	A	N	S	E	L	A	N	D	G	R	E	T	E	L
E	L	I	T	E		C	E	L	L	U	L	O	S	E
M	E	D	A	L		T	R	E	E		M	E	T	E

1/11/86

BRIDGE

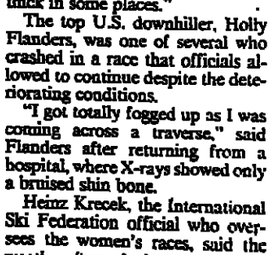
By Alan Truscott

ON the diagramed deal, South should no doubt have raised three hearts to four hearts: his actual three no-trump bid was an example of match-point greed. He regretted this when West led a diamond and the dummy appeared.

The diamond king was played, winning the trick and blocking the suit. Playing hearts did not seem promising and would have failed. Instead South led the spade queen from dummy and when this was allowed to win he finessed the ten. This forced the ace, and West led another low diamond.

East won the queen but had no way back to his partner's hand. He returned a spade to South's king, and the declarer began clubs. The ace, the queen and the marked finesse of the ten left this position:

South already had nine tricks but wanted more. When he led the club king West was in extremis. He reluctantly parted with a diamond to score a crucial overtrick: he had outscored the players in the normal four-heart contract.



Both sides were vulnerable. The bidding:

North	East	South	West
1 ♡	Pass	1 N.T.	Pass
3 ♡	Pass	3 N.T.	Pass
Pass	Pass	Pass	

West led the diamond four.

SPORTS BRIEFS

'86 Dutch Formula 1 Grand Prix Canceled

AMSTERDAM (UPI) — The Dutch Grand Prix has been scratched from the 1986 Formula One auto world championship calendar, a spokesman for the Zandvoort racing circuit said Saturday.

He said that FISA, the sport's governing body, had found inadequate the police, press and medical facilities at the circuit on the northern coast.

The Formula One Constructors' Association had complained about the poor state of the installations at the circuit, where the Dutch race was to be run Aug. 31. Set on coastal dunes, Zandvoort is the only circuit in the country suitable for Formula One racing and has staged 33 grand prix events. It also faces conflict with impending noise pollution regulations passed by the local government.

Santana Not Seeking Brazil Coaching Post

RIO DE JANEIRO (UPI) — Tele Santana, who coached Brazil's 1982 World Cup soccer team, said Saturday he is not interested in coaching this year's squad. "Before anyone asks me," he said, "I want to make it plain I do not want the job. I came back to Brazil only a month ago [from coaching in Saudi Arabia] and am in no position to do a good job."

Santana, who was named the public's favorite in a recent opinion poll, said his lack of recent first-hand information about Brazilian players could lead him to make "unjust" decisions and choices.

His withdrawal from contention leaves Mario Lobo Zagalo as the favorite for the post, which will be filled after this week's elections for president of the Brazilian soccer federation.

Tubbs Will Make First Title Defense Friday

ATLANTA (AP) — Tony Tubbs will make the first defense of his World Boxing Association heavyweight championship here Friday night against former World Boxing Council champion Tim Witherspoon.

Although Tubbs, 26, has been called a dull fighter, he said Witherspoon's aggressive style will make the scheduled 15-round bout interesting. "He's got to come forward," Tubbs said. "That will bring the best out of me. This fight will bear me out. A win over Tim Witherspoon will make the public aware there is a top heavyweight on the horizon."

Tubbs, a counterpuncher who is 22-0 with 15 knockouts, won the title on a unanimous decision over Greg Page in a lackluster 15-round bout April 29. But, Tubbs said, he is not about to change his style — "Counterpunching is one of the skills of boxing. You know, boxers last longer than sluggers."

For the Record

Andrea Ehrig of East Germany took more than a second off her 5,000-meter world record when she clocked 7:31.45 minutes Sunday at the women's European speedskating championships in Geilhus, Norway. *(UPI)*

Quotable

● Coach Mike Ditka on the image of the Chicago Bears: "We are met with disfavor in some quarters. We're a lot like the Raiders. Some teams are fair-haired. We're not. Some teams are the Smiths. We're the Grabowskis." *(NYT)*

● Ed (Too Tall) Jones, defensive lineman of the Dallas Cowboys, on his brief boxing career: "I have never been around so many crummy people in all my days." *(LAT)*

Kronbichler, Wallner and Walliser Win Cup Races

Compiled by Our Staff From Dispatches

BADGASTEIN, Austria — Anni Kronbichler of Austria made a swift second run through a snowstorm Sunday to edge Erika Hess of Switzerland in a women's World Cup slalom, while in Berchtesgaden, West Germany, Johann Wallner of Sweden put in two nearly perfect slalom runs down an icy and difficult course for his first World Cup victory.

Kronbichler, the leader after the morning leg, which many skiers ran in almost zero visibility, kept Hess from a second slalom victory this season with a winning aggregate of 1 minute and 36.53 seconds on the Gamskarkogel-Graukogel course. It was Kronbichler's third-ever cup slalom victory, and while some complained the fog and the new snow, she was unfazed: "Those were my conditions," she said. "I always manage in bad weather.

But Hess regained the lead in the overall cup standings, which she lost Saturday when teammate Maria Walliser caught an opportune break between rising and falling fog to win a risky downhill race at Badgastein.

Switzerland's Vreni Schneider, with her best slalom finish this season, was third Sunday in 1:38.45, nearly a second behind Hess's 1:37.69.

Victims of the near-whiteout on the first leg included Olympic champion Paoletta Magoni of Italy, U.S. world championship giant slalom medalists Eva Twardokens and Diann Roffe and world slalom champion Perrine Pelen of France.

In Berchtesgaden, Wallner clocked a combined 1:43.96 for his two runs. Bojan Krizaj, the veteran from Yugoslavia, was second in 1:44.05. Krizaj led Wallner by 39-hundredths of a second going into the second run, but made a small mistake halfway through it and lost precious time.

Wallner's previous best had been a fourth place in a giant slalom in 1983. "I have been training very hard this season and I knew I had to do well some time," said the 20-year-old. "After my fourth place in 1983, my career went downhill — there is a huge gap between that result and today's."

The icy course was marked with 64 gates in both runs over a vertical drop of 200 meters (656 feet). Heavy snow fell throughout the race, giving a slight edge to late starters, who found the track faster.

American Felix McGrath, 21, picked his first World Cup points by finishing fourth in 1:45.30.

Defending cup champion Marc Girardelli of Luxembourg finished 10th and picked up six points to extend his overall lead, but he has yet to win his first race this season.

On Saturday, Walliser went off 15th on a Silberkrug course battered by snow, sleet, rain and fog and turned her good fortune into a winning run down the 3.03-kilometer layout.

Her time of 2:04.04 was more than a full second quicker than the 2:05.39 of runner-up Sieglinde Winkler of Austria, who bounced teammate Katrin Gutensohn (2:06.41) into third place.

"I was lucky today; I can't believe how well I skied," said Walliser, 22, after temporarily taking the overall lead from Hess.

Gutensohn won Friday's first of the two downhills at Badgastein, but said that Saturday she was "so afraid coming down the course — it was like being blind, the fog was so thick in some places."

The top U.S. downhiller, Holly Flanders, was one of several who crashed in a race that officials allowed to continue despite the deteriorating conditions.

"I got totally fogged up as I was coming across a traverse," said Flanders after returning from a hospital, where X-rays showed only a bruised shin bone.

Heinz Krecek, the International Ski Federation official who oversees the women's races, said the weather "wasn't bad enough to force a cancellation, but I admit it wasn't a fantastic race." *(AP, UPI)*

■ **Races Postponed**

The men's giant slalom at Garmisch-Partenkirchen, West Germany, was rescheduled for Monday after driving rain washed it out Saturday, The Associated Press reported.

Next Friday's women's downhill at Pfronten, West Germany, was postponed because of a lack of snow. A new date and site have not been chosen, cup officials said. A women's giant slalom scheduled for Pfronten on Saturday could be in jeopardy if snow conditions do not improve.

The Associated Press

Anni Kronbichler on Sunday: 'I always manage in bad weather.'

هكذا من الاصل

SPORTS

Bears Bury Rams, 24-0, Gain Super Bowl

The Associated Press

CHICAGO — Jim McMahon ran for one touchdown and passed for another, and the Chicago defense pounded out a second straight playoff shutout here Sunday as the Bears thundered into their first National Football League Super Bowl with a 24-0 rout of the Los Angeles Rams.

On Jan. 26, the Bears, the NFL's best team this season at 17-1, will face the winner of the Miami-New England American Conference championship game.

The victory in the NFC championship game came a week after Chicago had throttled the New York Giants, 21-0. Never before had a team recorded consecutive playoff shutouts en route to the Super Bowl. Now Chicago has another record to shoot for: No Super Bowl has ever ended in a shutout.

The Bear defense put its final touch on Sunday's game when,

NFL PLAYOFFS

with less than three minutes to play, end Richard Dent led a charge of linemen and linebackers that buried quarterback Dieter Brock and stripped him of the ball. Linebacker Wilber Marshall picked it up and ran 52 yards into the end zone, breaking an Eric Dickerson tackle along the way for the final, emphatic touchdown.

McMahon, who sports a punk-rock hairdo and wraparound sunglasses, wore a headband with "ROZELLE" hand-lettered across the front — his response to a fine levied against him by NFL Commissioner Pete Rozelle for having worn a headband last week with a prominent brand name visible.

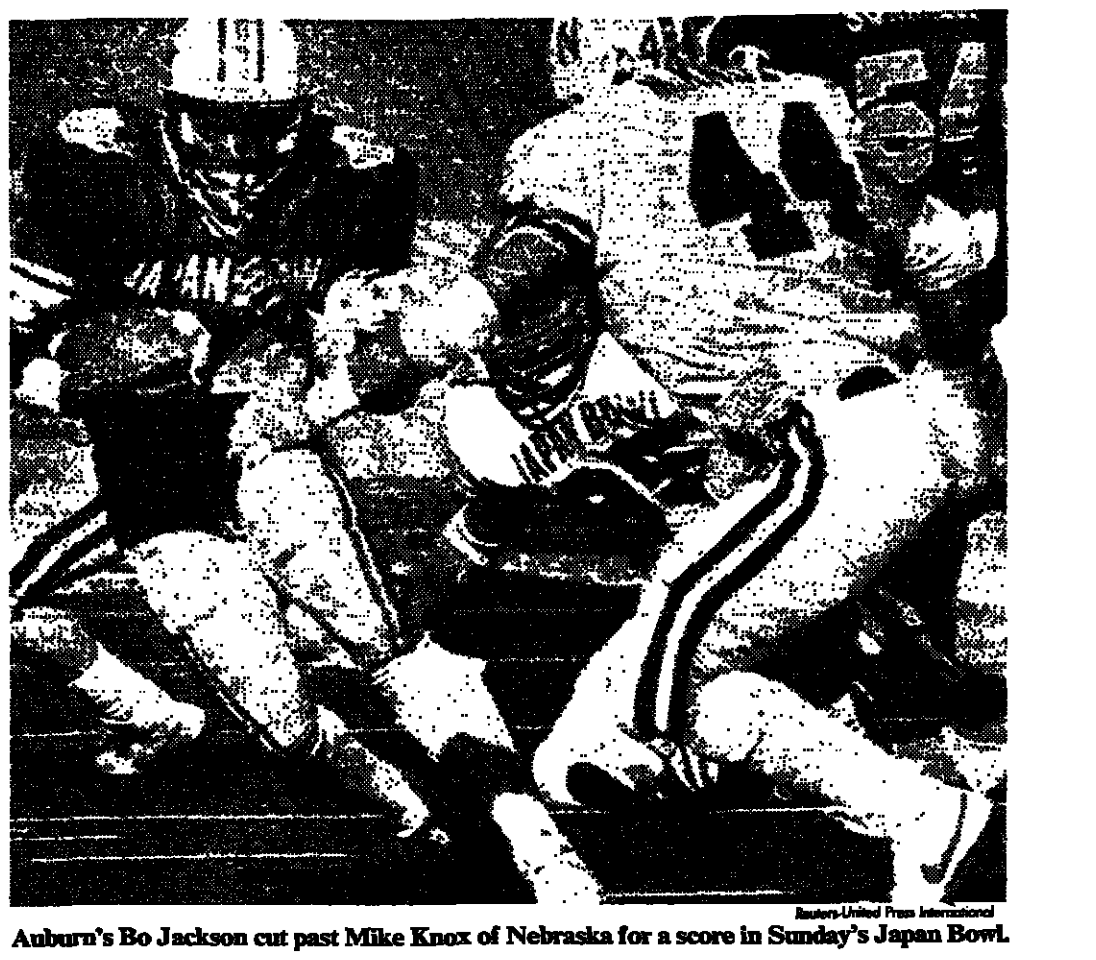
The first time the Bears got the ball, McMahon took them 56 yards in five plays, a drive of barely three minutes. He started with passes of 20 yards to tight end Emery Moorehead and 19 to wide receiver Willie Gault; 5:25 into the game, he finished matters with his own 16-yard touchdown sprint.

Kevin Butler having kicked a 34-yard second-quarter field goal, Chicago was leading by 10-0 when, on its second possession of the third period, McMahon fashioned a 52-yard march that took eight plays. It was climaxed by McMahon's 22-yard pass to a wide-open Gault in the left corner of the end zone with 8:04 gone in the quarter.

Along the way, on a 4th-and-6 at the Ram 35-yard line, McMahon passed 13 yards to Walter Payton for a first down. As a runner, Payton wasn't much of a factor Sunday — the NFL's all-time leading rusher gained 32 yards on 18 carries.

Dickerson, who had trampled Dallas with an NFL playoff-record 248 yards a week earlier, was also held in check, gaining 46 yards on 17 carries.

Brock was even less of a factor. The Bears were in his face all day, sacking him three times, harrying him often and holding him to 10 completions in 31 pass attempts for 66 yards. McMahon, despite similar pressure and three sacks, was 16-for-25 and 164 yards.


Reuters-United Press International

Auburn's Bo Jackson cut past Mike Knox of Nebraska for a score in Sunday's Japan Bowl.

Peete Wins PGA Opener With Record 267

Compiled by Our Staff From Dispatches

CARLSBAD, California — The best golfers in the class of '85 showed up at La Costa last week to find out who was best of them all. It was Calvin Peete, in a cakewalk.

The 42-year-old Peete, who did not join the PGA tour until he was 32, shattered the Tournament of Champions record by six strokes Saturday as he finished with a 21-under-par 68-67-64-68/267 over the 6,911-yard course.

"He just didn't make any mistakes — never opened the door a crack," said Mark O'Meara, the only man with any hope of overtaking Peete. O'Meara equaled the former La Costa record of 273 and still lost by six.

"It was a big boost to my bank account, to attaining my goals and to my confidence to beat all the winners of 1985 in the first tournament of 1986," said Peete."

His four-round 267 bettered the La Costa record of 273, set in 1970 by Frank Beard and equaled in 1981 by Lee Trevino, and the 268 set by Jerry Butler at Las Vegas in 1960, when the tournament was played there. It gave Peete his 10th victory in the last five seasons — more triumphs than any other player during that period. He won last year's Phoenix Open and Tournament Players Championship last year to qualify for the 1986 opener.

It was also his best four-round competitive score. As theater, however, it was undramatic. He had a three-stroke lead starting the final round and had stretched it to five strokes by Saturday's fifth hole.

"I was a little apprehensive when I started the last round," he said, "but when Mark didn't make a challenge it took the pressure off me and I got it going on the back nine."

Peete birdied Nos. 10, 11 and 13 with putts in the 10-foot (3-meter) range to shut down the hopes of the 30 other tournament champions.

Peete's final-round driving (he has been the most accurate driver on the tour for five straight years) and iron play were unerring. Unsmiling and with only a brief tip of his white cap to acknowledge the cheers as he approached each green, he showed a deliberate, methodical pace that took some of the fun out of a remarkable achievement. In a way, he made it look too easy.

Only twice did he need to scramble. When he did, he was superb at that, too. On the 530-yard 12th hole, he was 120 yards from the green in two shots and hit a "fat" wedge. The ball did not reach the putting surface, but Peete made a 45-foot chip shot that hit the flagstick and stopped a couple of inches away for an easy par putt.

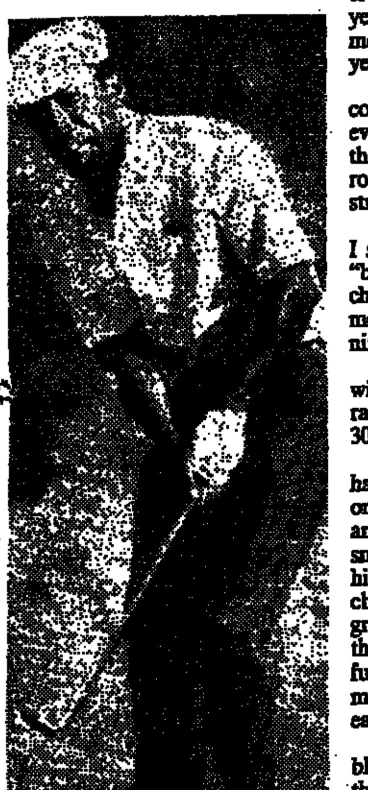
On the 375-yard 15th he missed the fairway with his drive and buried his second shot in a bunker, close to the lip of the trap. But he blasted out and sank a 10-foot putt to save par.

Peete had shared the opening-day lead with Mark McCumber and the halfway lead with O'Meara and Tom Kite before pulling away with Friday's record-equaling 64.

O'Meara outdrove Peete by as much as 60 yards on some holes, but it did no good. With a final-round 71, O'Meara finished four strokes ahead of Philip Blackmar. Amateur Scott Verplank, who shot a closing 72, tied for fourth at 279 with Danny Edwards and Masters champion Bernhard Langer of West Germany.

He reeled off four consecutive birdies and one-putted 10 times in a bogey-free Friday; his card did not have a 5 on it (O'Meara, meanwhile, birdied six holes and shot a 67 — yet lost three stokes to Peete).

"I thought I've always been a better putter than I've been given credit for," said Peete. "With a little more work and patience, I might be a great putter." *(LAT, AP)*


AP

Calvin Peete

'He never opened the door a crack.'

Las Vegas: The New Game in Town

By Andrew Beyer

Washington Post Service

LAS VEGAS — Horseplayers of other eras couldn't have imagined the bet I made here Saturday. I parlayed a horse in the second race at Bay Meadows to a horse in the ninth race at Aqueduct — tracks 3,000 miles apart — and watched them run simultaneously.

Post time for the two events happened to be a few seconds apart, with both races being telecast live on giant screens at the Caesars Palace Race Book. My eyes darted from screen to screen; I let out a cheer as my Bay Meadows horse surged to the front, but a moment later I saw that my Aqueduct horse was blowing a four-length lead. Still, so much action was worth the price.

The introduction of simulcasting has enlivened horse-betting in this town and possibly foreshadowed a trend for the whole racing industry.

Until recently, race books here bore a great resemblance to clichéd bookie joints from Hollywood movies. Clerks recorded wagers in longhand. The calls of races over the P.A. system came 10 or 20 minutes after the event, and were recreations emanating from an office downtown.

The technology for simulcasting had existed but had gone unused here, partly because of resistance from the Nevada Gaming Control Board, partly because of resistance from tracks. "When this first started," said Ed Clarke, the manager of the Caesars Palace Race Book, "the tracks thought that we might take business away from them. But nothing of the sort has happened."

When the opposition faded, independent operators started contracting with racetracks and then selling their TV signals to the race books here. Suddenly Las Vegas had a wonderful new game.

The old race books catered to hard-core horseplayers and had little need for amenities. But live telecasts of races would appeal to vacationers and recreational gamblers, who would expect typical casino comforts while they spent their dollars. Caesars Palace obliged them by constructing the snazziest, most high-tech, action-filled bookie joint any horseplayer could want.

Patrons sit at rows of desks (each with its own reading light) so they can study the various regional editions of the Daily Racing Form. In the front of the room are four big electronic boards that show entries and results from the four principal tracks operating that day. Next to them are five giant screens that show the races, as well as the changing odds from various tracks.

On Saturday, Caesars Palace was receiving telecasts from Aqueduct, Gulfstream, Bay Meadows and Santa Anita. For more than an hour in early afternoon (local time), all four tracks were operating simultaneously. In case anybody still was hungry for action, Caesars and other race books around town offered nighttime simulcasting on quarter-horse races in California, harness racing in New York and dog racing in Arizona.

It may be the first time in history that any casino official in Las Vegas has fretted that there is too much action. "We're open from nine in the morning to midnight," Clarke said. "Later on down the line we may refine this to a point where we're only showing two tracks at the same time. How much racing can you give somebody?" As much as possible, I'd say. The quantity of action available here now is a horseplayer's idea of heaven.

East Takes Shrine Contest, 18-7

The Associated Press

STANFORD, California — Louisiana State's Garry James ran for two touchdowns, leading the East to an 18-7 victory Saturday, and won the most valuable offensive player award in the Shrine East-West college football game.

The largest crowd in the all-star game's 61-year history, 77,000, saw the nationally televised charity contest at Stanford Stadium.

The West had six turnovers, including four interceptions thrown in the second half by Washington State quarterback Mark Rypien.

Indiana quarterback Steve Bradley opened the game by marching the East 68 yards in 13 plays for a touchdown, on James's plunge from the one. James led all rushers with 83 yards on 19 carries. Teammate Chuck Sanders, the first from Slippery Rock to play in the Shrine game, ran for 71 yards on 19 carries.

Late in the first quarter, James bobbled a pass from Bradley and linebacker Willie Pless of Kansas intercepted before the ball hit the ground. The West moved to the East two-yard line but was stopped when Rypien fumbled a snap.

James quickly made amends by sprinting 15 yards for a touchdown that capped an 89-yard drive. Iowa's Scotty Helverson gave the

COLLEGE FOOTBALL

East a 15-0 lead when he ran for a two-point conversion after fumbling the snap and taking a lateral from kicker Brendan Toibin of Richmond.

■ **Hula Bowl: West 23, East 10**

In Honolulu, Doug Gaynor of Cal State-Long Beach passed for two touchdowns and the West defense stopped what coach Johnny Majors of Tennesee had predicted would be a strong offensive show by his East team.

The East was held to 90 yards in the first two quarters, and got none in the third quarter. The East got only eight first downs, the West 25.

The West scored early in the second quarter, on a 42-yard field goal by James Hamrick of Rice. It was set up by a 54-yard pass from Mike Norseth of Kansas to Walter Murray of the University of Hawaii.

Kevin Wyatt of Arkansas intercepted an East pass by Stan Gelbaugh of Maryland on the first play from scrimmage after Hamrick's field goal. Three plays later, Dalton Hilliard of Louisiana State scored on a four-yard pass from Gaynor.

■ **Japan Bowl: East 31, West 14**

In Yokohama, Japan, Heisman Trophy winner Bo Jackson of Auburn scored his third touchdown on a 57-yard run in the fourth quarter to ensure victory for the East all-star team.

Jackson also scored on a 69-yard pass play from Jack Trudeau of Illinois and on a 1-yard plunge. LSU quarterback Jeff Wickersham passed to Dave Williams of Illinois for a 58-yard touchdown for the East.

Jackson was named the most valuable player of the game, watched by about 30,000; he rushed for 171 yards in 18 carries, breaking the Japan Bowl record of 85 yards.

The East's victory was only its third in 11 Japan Bowls. The West had won the last six.

The East led, 10-0, at the half but the West drove 82 yards in 12 plays and scored on Chuck Long's 7-yard pass to Iowa teammate Bill Happel.

The East answered with a 10-play, 80-yard drive capped by Jackson's scoring plunge, but Dwight Garner of California ran back the kickoff 70 yards to the East 16 and a pass interference penalty put the ball on the two. Two plays later Tom Rathman of Nebraska scored from a yard out and it was 17-14.

Wickersham threw his long pass to Williams on the next drive, and after the West was stopped at the East 38, Jackson's 57-yard run made it 31-14.

SCOREBOARD

Basketball

National Basketball Association Standings

EASTERN CONFERENCE	W	L	Pct.	GB
Atlantic Division				
Boston	27	8	.771	—
Philadelphia	24	13	.649	4
New Jersey	23	15	.605	5½
Washington	17	20	.459	11
New York	12	24	.333	15½
Central Division				
Milwaukee	26	13	.667	—
Atlanta	19	16	.543	5
Cleveland	16	21	.432	9
Detroit	16	21	.432	9
Chicago	15	23	.395	10½
Indiana	10	26	.278	14½
WESTERN CONFERENCE				
Midwest Division				
Houston	25	12	.676	—
Denver	22	14	.611	2½
San Antonio	21	16	.568	4
Dallas	17	16	.515	6
Utah	17	21	.447	8½
Sacramento	13	24	.351	12
Pacific Division				
L.A. Lakers	29	6	.829	—
Portland	23	18	.561	9½
Seattle	15	22	.405	15
Phoenix	13	21	.382	16
L.A. Clippers	12	26	.316	19
Golden State	12	28	.300	20

FRIDAY'S RESULTS

Sacramento 31 26 20 25—102
Philadelphia 30 23 28 32—113
Malone 11-18 4-9 26, Barkley 8-17 5-8 21; Theus 10-18 3-4 23, Woodson 10-20 2-3 22. Rebounds: Sacramento 39 (Thompson 13); Philadelphia 52 (Malone 17). Assists: Sacramento 23 (Theus 12); Philadelphia 29 (Cheeks 10).

Atlanta 34 22 29 33—118
Boston 30 32 33 20—115
Bird 12-21 4-4 29, McHale 11-14 2-3 24, D.Johnson 7-15 9-10 24; Wilkins 17-30 0-4 34, Rivers 6-14 6-7 18. Rebounds: Atlanta 42 (Willis 13); Boston 49 (Parish 15). Assists: Atlanta 18 (Webb 6); Boston 32 (D.Johnson 8).

L.A. Clippers 29 34 29 33—125
New Jersey 31 32 30 27—120
Ma.Johnson 12-21 5-5 29, Maxwell 5-10 11-12 21. Nixon 7-16 7-10 21; Dawkins 10-11 7-11 27, King 10-23 3-3 24. Rebounds: L.A. Clippers 53 (Maxwell 11); New Jersey 58 (Williams, King 12). Assists: L.A. Clippers 18 (Nixon 8); New Jersey 29 (Cook 10).

Golden State 16 24 26 31— 97
San Antonio 34 37 26 27—124
Johnson 9-12 3-3 21, Mitchell 8-14 1-2 17; Short 10-24 8-9 28, Teagle 9-16 4-4 22. Rebounds: Golden State 58 (Ballard 10); San Antonio 64 (Greenwood 10). Assists: Golden State 17 (Short 6); San Antonio 37 (Robertson 14).

Phoenix 28 28 24 24—104
Dallas 33 29 35 20—117
Aguirre 9-15 8-12 26, Blackman 12-20 1-1 25; Nance 6-13 5-6 17, Thompson 7-14 3-3 17, Edwards 6-13 2-2 14. Rebounds: Phoenix 48 (Nance 8); Dallas 55 (Blackman 11). Assists: Phoenix 29 (Humphries 8); Dallas 33 (Harper 10).

Portland 22 17 29 20—89
Milwaukee 24 19 28 24—95
Pierce 6-10 8-10 21, Cummings 7-19 5-6 19; Drexler 10-21 6-9 26, Thompson 9-18 1-6 19. Rebounds: Portland 61 (Thompson 12); Milwaukee 56 (Lister 15). Assists: Portland 22 (Drexler 11); Milwaukee 18 (Pressey 7).

Indiana 32 18 27 25—102
L.A.Lakers 34 21 31 38—124
Abdul-Jabbar 12-22 7-8 31, Cooper 5-8 4-4 16; Stipanovich 8-18 2-2 18, Stansbury 4-10 6-8 14. Rebounds: Indiana 41 (Tisdale 9); L.A. Lakers 54 (Rambis 13). Assists: Indiana 34 (Buckner 9); L.A.Lakers 32 (Johnson 11).

SATURDAY'S RESULTS

Portland 22 32 21 34—109
New York 21 34 38 13—106
Vandeweghe 11-19 5-6 27, Jones 6-12 5-7 17; Ewing 11-20 7-9 29, Tucker 11-21 0-0 22. Rebounds: Portland 57 (Thompson, Jones 12); New York 44 (Ewing 9). Assists: Portland 23 (Drexler 11); New York 35 (Sparrow 8).

Sacramento 23 27 25 40—181
Cleveland 22 30 25 28—105
Free 10-19 4-6 24, Hinson 7-15 8-10 22; Woodson 10-17 3-5 23, Theus 10-20 2-3 22. Rebounds: Sacramento 54 (Thompson 13); Cleveland 48 (Hinson 10). Assists: Sacramento 27 (Theus 9); Cleveland 28 (Bagley 7).

Philadelphia 15 32 31 24—102
Detroit 27 29 23 22—101
Barkley 10-15 6-9 26, Erving 9-17 6-6 24; Tripucka 6-11 8-8 21, Cureton 7-12 4-6 18. Rebounds: Philadelphia 50 (Malone 14); Detroit 50 (Laimbeer 10). Assists: Philadelphia 12 (Barkley 12); Detroit 28 (Thomas, V.Johnson 9).

Washington 29 29 14 23—86
Houston 22 28 19 18—87
Olajuwon 8-22 2-6 18, Wiggins 5-8 4-4 14; Robinson 12-26 2-4 26, Malone 6-16 6-6 18. Rebounds: Washington 45 (Roundfield 16); Houston 53 (Sampson 14). Assists: Washington 17 (Malone 4); Houston 26 (Lucas 9).

L.A. Clippers 37 12 33 41—123
Chicago 33 31 26 42—132
Woolridge 10-17 8-9 28, Dailey 8-15 4-4 20; Nixon 10-18 6-6 26, Maxwell 5-13 11-13 21. Rebounds: Los Angeles 36 (Benjamin 8); Chicago 43 (Woolridge, Oakley 7). Assists: Los Angeles 19 (Nixon 9); Chicago 32 (Macy 7).

Golden State 27 24 29 32 11—123
Dallas 35 25 26 26 15—127
Perkins 12-18 8-11 32, Aguirre 13-21 2-3 28; Short 14-29 16-16 44, Carroll 10-28 6-7 26. Rebounds: Golden State 62 (Smith 15); Dallas 63 (Donaldson 12). Assists: Golden State 23 (Floyd 6); Dallas 31 (Aguirre 9).

Utah 28 38 26 14—106
Denver 29 33 23 29—114
English 8-17 8-10 24, Cooper 9-18 4-4 22; Malone 10-17 4-8 24, Bailey 6-12 3-4 15, Eaton 5-18 5-8 15. Rebounds: Utah 48 (Eaton 13); Denver 50 (Natt 14). Assists: Utah 23 (Stockton 8); Denver 23 (Lever 6).

Indiana 18 26 23 32— 99
Phoenix 33 36 34 25—128
Edwards 10-13 1-2 21, Pinckney 6-7 9-10 21, Sanders 6-13 6-6 18; Tisdale 10-17 0-0 20, Stipanovich 5-12 4-4 14. Rebounds: Indiana 43 (Stipanovich 7); Phoenix 62 (Edwards, Sanders 7). Assists: Indiana 23 (Stansbury 5); Phoenix 21 (Humphries, Sanders 5).

L.A. Lakers 32 21 20 26— 99
Seattle 26 24 27 28—105
McDaniel 12-23 12-12 36, Wood 10-22 5-7 25; Worthy 12-17 2-2 26, Abdul-Jabbar 10-21 2-3 22. Rebounds: Los Angeles 39 (Lucas 9); Seattle 45 (McDaniel 14). Assists: Los Angeles 23 (Johnson 16); Seattle 27 (Sikma 7).

Reuters-United Press International

Robert Parish, left, and Kevin McHale had Atlanta's Jon Koncak looking for help Friday in Boston, where the Celtics won, 115-108.

Selected U.S. College Scores

FRIDAY'S RESULTS

EAST
Pennsylvania 84, Harvard 71
Princeton 51, Dartmouth 50
RPI 65, RIT 58

MIDWEST
Huron 75, S. Dakota Tech 67
Neb.-Omaha 59, Mankato St. 58

SOUTHWEST
Angelo St. 82, Texas Lutheran 81
Sam Houston St. 82, Howard Payne 60

FAR WEST
Adams St. 79, S. Utah St. 67, OT
Azusa Pacific 63, Bethany Nazarene 61
Brigham Young 80, Hawaii 66
E. Washington 56, Gonzaga 54
Pacific, Ore. 75, S. Oregon St. 61
S. Colorado 79, N. Mex. Highlands 56
San Francisco St. 81, Chico St. 78
Texas-El Paso 68, Air Force 54
Utah 93, San Diego St. 89
Weber St. 80, Idaho 74

SATURDAY'S RESULTS

EAST
Amherst 70, Babson 69
Bates 84, MIT 58
Boston U. 80, Drexel 65
Canisius 52, Vermont 51
Connecticut 80, Boston Col. 69
Cornell 54, Columbia 52
Duquesne 79, Penn State 78, 2 OT
Fairleigh Dickinson 59, Robert Morris 54
Hamilton 85, Binghamton St. 66
Hobart 73, RPI 57
Hofstra 82, Delaware 79
Holy Cross 76, Army 60
Iona 79, Manhattan 73
John Jay 80, N.Y. Maritime 68
Lehigh 82, Lafayette 72
Loyola (Md.) 99, Long Island U. 89
Massachusetts 81, Rhode Island 75, OT
Middlebury 91, Colby 71
Navy 88, George Mason 74
New Hampshire 67, Yale 64
New Haven 78, American Intl. 60
Niagara 56, Colgate 54
Northeastern 56, Maine 54
NYU 92, CCNY 78
Pennsylvania 72, Dartmouth 66
Princeton 77, Harvard 44
Queens Col. 77, Medgar Evers 55
Siena 84, Hartford 67
St. John's 79, Georgetown 74
St. Peter's 50, Fordham 45
Syracuse 78, Pittsburgh 68
Temple 68, Rutgers 59
Union 101, Manhattanville 66
Villanova 78, Providence 77, 2OT
West Virginia 89, St. Bonaventure 88, 2OT

SOUTH
Alcorn St. 62, Grambling 61
Auburn 72, Mississippi St. 56
Davidson 67, Tenn.-Chattanooga 48
Duke 74, N. Carolina St. 64
Florida St. 76, Cincinnati 73
Georgia Tech 68, Maryland 67
Jacksonville 86, N.C. Charlotte 77
James Madison 76, American 67
Kentucky 76, Alabama 52
Marshall 69, Appalachian St. 67
Memphis St. 87, Arkansas St. 64
Miami (Fla.) 71, Towson St. 66
Mississippi 79, Florida 67
North Carolina 89, Wake Forest 65
Richmond 60, East Carolina 52
Tampa 83, St. Thomas 62
Tennessee 86, Louisiana St. 77
Vanderbilt 77, Georgia 71
Virginia 83, Clemson 81
Virginia Tech 71, South Carolina 69

MIDWEST
Akron 63, E. Kentucky 55
Ball St. 70, Kent St. 61
Bowling Green 77, Ohio U. 75
Bradley 69, Drake 67
Cent. Michigan 65, E. Michigan 63
Dayton 74, Va. Commonwealth 64
Illinois St. 59, Wichita St. 58
Indiana 80, Wisconsin 69
Iowa 75, Minnesota 62
Iowa St. 92, Missouri 84
Kansas 72, So. Methodist 56
Loyola, Ill. 63, Butler 61
Mankato St. 81, N. Colorado 74
Marquette 91, Colorado 71
McNeese St. 67, Lamar 62
Michigan 75, Purdue 71
N. Dakota St. 78, S. Dakota 67
N. Illinois 77, Miami (Ohio) 73, OT
Nebraska 99, NE Missouri 56
Notre Dame 70, DePaul 54
Ohio St. 79, Northwestern 77, OT
Toledo 85, W. Michigan 65
Youngstown St. 75, Morehead St. 48

SOUTHWEST
Ark.-Little Rock 75, NW Louisiana 44
Creighton 58, West Texas St. 56, OT
Oklahoma 98, Chicago St. 73
Oklahoma St. 69, New Orleans 55
Pan American 56, SE Louisiana 46
Rice 71, Houston 68
St. Louis 64, Oral Roberts 44
SW Texas St. 69, Texas-San Antonio 62
Texas 65, Baylor 40
Texas A&M 64, Texas Christian 60
Texas Tech 48, Arkansas 46
Texas-Arlington 68, N. Texas St. 65
Tulsa 65, Indiana St. 56

FAR WEST
Brigham Young 82, San Diego St. 70
Cal-Davis 83, San Francisco St. 80
Cal-Irvine 83, Pacific U. 75
Cal-Santa Barbara 66, Utah St. 52
Colorado St. 65, New Mexico 58
Fullerton St. 41, San Jose St. 40
Idaho St. 66, Idaho 58
Nevada-Reno 79, Montana St. 69
New Mexico St. 80, Long Beach St. 57
Oregon 72, Utah 42
Oregon St. 63, Oregon 56
San Francisco 73, Fresno Pacific 51
Seattle 63, Whitworth 57
Stanford 66, Arizona St. 59
UCLA 81, Washington St. 80, 2OT
Utah 89, Hawaii 67
Washington 91, Southern Cal 75
Weber St. 45, Boise St. 29
Wyoming 63, Texas-El Paso 62, OT

TOURNAMENTS

Austins-Pepsi Invitational
First Round
W. Virginia Tech 72, Jarvis Christian 56
Fort Hays St. 102, Mo. Valley 48

Chuck Resler Invitational
First Round
Washington, Mo. 81, Franklin & Marshall 74
Rochester 78, Bowdoin 67

Coast Cities Classic
First Round
Monmouth 53, St. Francis, N.Y. 51
Utica 70, Rider 69
Championship: Monmouth 60, Utica 51
Third Place: Rider 81, St. Francis, N.Y. 72

Point Loma Classic
Championship: Point Loma 78, Azusa Pacific 48
Third Place: Grace 73, Bethany Nazarene 72, OT

Washington and Lee Invitational
Championship: Wash. & Lee 92, Thomas 80
Third Place: Thomas 77, Haverford 72

European Soccer

ENGLISH FIRST DIVISION
Birmingham 0, Ipswich 1
Chelsea 1, Luton 0
Coventry 3, Aston Villa 3
Everton 4, Queens Park Rangers 3
Leicester 0, West Ham 1
Manchester City 1, Southampton 0
Oxford United 1, Manchester United 3
Tottenham 0, Nottingham Forest 3
West Bromwich Albion 1, Newcastle 1
Points: Manchester United 55; Everton, Chelsea 50; West Ham 48; Liverpool 47; Sheffield Wednesday 43; Arsenal 42; Luton 41; Nottingham Forest 40; Newcastle 36; Tottenham 35; Watford 33; Manchester City 32; Southampton, Queens Park Rangers 30; Coventry, Leicester 25; Aston Villa 24; Oxford, Ipswich 23; Birmingham 18; West Bromwich Albion 13.

FRENCH FIRST DIVISION
Auxerre 1, Rennes 0
Nice 3, Nancy 1
Brest 1, Paris-St. Germain 1
Bastia 0, Metz 0
Toulouse 2, Monaco 1
Lille 1, Toulon 0
Bordeaux 1, Strasbourg 0
Laval 0, Nantes 0
Le Havre 3, Lens 0
Marseille 1, Sochaux 2
Points: Paris-S.G. 42; Nantes, Bordeaux 36; Lens 30; Auxerre 29; Monaco 28; Metz, Nice 27; Toulouse, Laval 26; Le Havre 25; Nancy 24; Rennes, Sochaux 22; Marseille, Toulon, Brest, Lille 21; Bastia 18; Strasbourg 16.

ITALIAN FIRST DIVISION
Bari 0, Sampdoria 0
Fiorentina 0, Torino 0
Inter Milan 1, Atalanta 3
Juventus 0, Como 0
Lecce 0, Milan 2
Napoli 0, Pisa 1
Udinese 0, Roma 2
Verona 2, Avellino 0
Points: Juventus 28; Roma 22; Napoli 21; Milan 20; Fiorentina, Torino 19; Inter Milan, Verona 18; Sampdoria, Pisa, Atalanta 15; Como, Avellino 14; Udinese, Bari 13; Lecce 8.

SPANISH FIRST DIVISION
Barcelona 2, Atletico Madrid 1
Valladolid 1, Santander 0
Sevilla 0, Athletic Bilbao 0
Hercules 1, Osasuna 1
Cadiz 1, Zaragoza 3
Real Madrid 4, Espanol 1
Celta 1, Valencia 0
Gijon 0, Betis 0
Real Sociedad 6, Las Palmas 0
Points leaders: Real Madrid 33; Barcelona 29, Atletico Madrid, Athletic Bilbao, Gijon 25; Sevilla 22; Valladolid, Real Sociedad 21.

Transition

BASKETBALL
National Basketball Association
CLEVELAND—Placed Phil Hubbard, forward, on the injured list. Signed Ron Brewer, guard, to a 10-day contract.
MILWAUKEE—Signed Mike Glenn, guard, to an offer sheet.

HOCKEY
National Hockey League
DETROIT—Recalled Ted Speers, center, from Adirondack of the American Hockey League.
N.Y. ISLANDERS—Returned Gerald Diduck, defenseman, to Springfield of the AHL.

Hockey

National Hockey League Standings

WALES CONFERENCE	W	L	T	Pts	GF	GA
Patrick Division						
Philadelphia	31	11	0	62	195	127
Washington	25	12	4	54	163	135
NY Islanders	18	15	9	45	170	153
Pittsburgh	18	20	5	41	163	162
NY Rangers	18	21	2	38	148	143
New Jersey	14	25	1	29	151	191
Adams Division						
Quebec	25	15	2	52	176	136
Montreal	23	15	4	50	195	155
Boston	19	16	7	45	164	151
Hartford	21	18	1	43	164	155
Buffalo	19	18	5	43	156	146
CAMPBELL CONFERENCE						
Norris Division						
Chicago	19	17	4	42	186	185
St. Louis	18	16	5	41	150	160
Minnesota	16	18	7	39	168	159
Toronto	11	24	5	27	160	191
Detroit	9	28	5	23	137	226
Smythe Division						
Edmonton	30	9	4	64	230	175
Calgary	18	19	3	39	167	159
Vancouver	13	25	5	31	152	180
Winnipeg	13	26	5	31	160	206
Los Angeles	13	23	5	31	144	203

FRIDAY'S RESULTS

Montreal 1 2 1—4
N.Y. Rangers 0 5 1—6
Greschner (13), Brooke (18), Maloney (4), MacLellan (10), Huber (3), Osborne (11); Tremblay (11), Dahlin (24), Smith (17), Robinson (12). Shots on goal: Montreal (on Vanbiesbrouck) 10-6-11—27; New York (on Penney) 10-15-4—29.

Los Angeles 2 1 1—4
Minnesota 0 2 1—3
Sykes (10), Dionne (19), Kelly (2), Wells (7); Broten (17), Payne (6), Graham (14). Shots on goal: Los Angeles (on Beaupre) 8-10-14—32; Minnesota (on Janecyk) 8-11-9—28.

Chicago 2 4 3—9
Detroit 1 0 3—4
Secord (19), T.Murray 2 (26), Presley (4), Brown (7), D.Wilson (7), Olczyk 2 (16), Watson (7); Kocur (3), Klima (16), Young (12), Larson (9). Shots on goal: Chicago (on LaForest, Micalef) 13-11-7—31; Detroit (on Bannerman) 10-9-12—31.

Edmonton 0 3 0—3
Quebec 1 1 3—5
P.Stastny 2 (24), Anderson (13), Picard (4), Gillis (10); Coffey 2 (20), Kurri (31). Shots on goal: Edmonton (on Malarchuk) 6-11-9—26; Quebec (on Fuhr) 12-16-15—43.

Toronto 0 2 5—7
Buffalo 2 4 3—9
Perreault (14), Foligno (20), Tucker 2 (15), Andreychuk 2 (17), Ruff (16), Hamel (11), Lacombe (3); Nylund (1), Thomas (14), Leeman (8), Clark (13), M.Ihnacak (1), Frycer (18), Fergus (16). Shots on goal: Toronto (on Barrasso) 7-11-14—32; Buffalo (on Bernhardt) 23-17-14—54.

Hartford 3 0 1—4
Vancouver 0 2 1—3
Gavin 2 (13), Bobych (10), Turgeon (24); Tanti (24), M.Crawford (5), Smyl (15). Shots on goal: Hartford (on Brodeur) 9-7-5—21; Vancouver (on Liut) 13-9-7—29.

SATURDAY'S RESULTS

Winnipeg 0 2 2—4
Boston 1 4 3—8
Crowder 2 (18), Kluzak (3), Middleton 2 (9), Courtnall (10), O'Connell (4), Markwart (5); Hawerchuk (29), Neufeld (13), Arniel (15), Watters (4). Shots on goal: Winnipeg (on Riggin) 8-7-11—26; Boston (on Bouchard) 12-12-10—34.

Philadelphia 3 5 0—8
New Jersey 1 2 1—4
Propp 2 (28), Kerr (36), Howe (13), Tocchet (8), Zezel (11), Brown (6), Craven (15); Preston (12), Adams 2 (17), Gagne (9). Shots on goal: Philadelphia (on Resch) 12-18-9—39; New Jersey (on Jensen) 14-11-15—41.

Detroit 0 0 2—2
N.Y. Islanders 2 4 2—8
Boyd (2), Tonelli (14), Gilbert 2 (5), Makela 2 (8), Trottier (20), Bossy (29); Kocur (4), Ogrodnick (22). Shots on goal: Detroit (on Hrudey) 17-9-10—36; New York (on LaForest) 11-16-13—40.

Buffalo 1 0 2 0—3
Pittsburgh 2 1 0 0—3
Foligno (21), Selling (9), Halkidis (1); Chabot (8), Lemieux (25), Shedden (19). Shots on goal: Buffalo (on Meloche) 6-6-7-2—21; Pittsburgh (on Barrasso) 10-6-10-3—29.

Edmonton 0 5 1—6
Montreal 1 1 1—3
Lumley (7), Coffey 2 (22), Kurri 2 (33), Gretzky (32); Smith (18), Robinson (13), Gainey (12). Shots on goal: Edmonton (on Roy, Soetaert) 7-8-8—23; Montreal (on Moog) 13-7-5—25.

Quebec 0 1 4—5
Toronto 1 0 0—1
Hunter 2 (11), A.Stastny 2 (17), Cote (6); Stastny (15). Shots on goal: Quebec (on Edwards) 15-11-16—42; Toronto (on Malarchuk) 15-12-11—38.

Washington 1 0 2—3
Minnesota 2 1 2—5
Coulis (2), Payne (7), Bellows (18), Graham (15), Bluegstad (25); Carpenter 2 (12), Loughlin (13). Shots on goal: Washington (on Casey) 16-13-15—44; Minnesota (on Peeters) 11-9-5—25.

Los Angeles 1 2 1 0—4
St. Louis 0 3 1 0—4
Taylor (14), Dionne 2 (21), Kelly (3); Reeds (7), Federko (18), Paslawski (18), Barr (8). Shots on goal: Los Angeles (on Wamsley, Millen) 9-6-9-0—24; St. Louis (on Janecyk) 15-23-5-4—00.

Golf

Top finishers and earnings in the Tournament of Champions, which ended Saturday on the 6,911-yard, par-72 La Costa Country Club course in Carlsbad, California (a-amateur):

Calvin Peete, $90,000 68-67-64-68—267
Mark O'Meara, $57,000 70-65-67-71—273
Phil Blackmar, $37,000 74-68-66-69—277
Bernhard Langr, $25,000 69-69-71-70—279
Danny Edwards, $25,000 70-69-69-71—279
a-Scott Verplank 72-67-68-72—279
Hal Sutton, $19,167 71-77-66-67—281
Tim Simpson, $19,167 72-73-66-70—281
Jim Thorpe, $19,167 70-68-71-72—281
Tom Kite, $16,500 69-66-73-75—283
Hale Irwin, $15,000 72-71-69-72—284
Mark McCumber, $15,000 68-73-70-73—284
Sandy Lyle, $13,000 70-73-71-71—285
Roger Maltbie, $13,000 74-71-69-71—285
Lanny Wadkins, $10,667 73-73-67-73—286
George Burns, $10,667 71-71-73-71—286
Bill Glasson, $10,667 74-70-70-72—286
Corey Pavin, $9,000 71-75-74-67—287
Andy North, $9,000 70-70-73-74—287
Don Forsman, $9,000 72-69-76-70—287
Ken Green, $7,800 76-70-68-74—288
Ray Floyd, $7,800 73-72-72-71—288
John Mahaffey, $7,800 73-75-68-72—288
Curtis Strange, $7,400 70-75-71-75—291
Wayne Levi, $7,200 70-72-73-77—292
Fuzzy Zoeller, $7,000 71-74-69-79—293
Joey Sindelar, $6,800 74-70-75-75—294
Mark Wiebe, $6,600 72-75-74-75—296
Bob Eastwood, $6,400 75-73-70-70—297
Woody Blackburn, $6,200 78-74-74-78—304
Hubert Green, $6,000 75-73-80-78—306

Seniors Tour
Miller Barber, $30,000 70-70-70-72—282
Arnold Palmer, $21,000 72-73-70-72—287
Lee Elder, $16,000 69-74-73-72—288
Don January, $11,500 76-72-76-69—293
Harold Henning, $9,000 73-76-71-75—295
Peter Thomson, $7,000 74-73-74-77—298
Mike Fetchick, $5,500 83-79-75-81—318

World Cup Skiing

WOMEN'S DOWNHILL
(At Badgastein, Austria)
1. Maria Walliser, Switzerland, 2 minutes, 4.04 seconds.
2. Sieglinde Winkler, Austria, 2:05.39.
3. Katrin Gutensohn, Austria, 2:06.41.
4. Regine Moesenlechner, West Germany, 2:06.53.
5. Sylvia Eder, Austria, 2:06.63.
6. Brigitte Oertli, Switzerland, 2:06.72.
7. Liisa Savijarvi, Canada, 2:06.73.
8. Heidi Zeller, Switzerland, 2:07.01.
9. Veronika Vitzhum, Austria, 2:07.23.
10. Elisabeth Chaud, France, 2:07.25.

WOMEN'S SLALOM
(At Badgastein)
1. Anni Kronbichler, Austria, 47.68-48.85—1:36.53
2. Erika Hess, Switzerland, 49.32-48.37—1:37.69
3. Vreni Schneider, Switzerland, 49.95-48.50—1:38.45
4. Ida Ladstaetter, Austria, 49.27-49.61—1:38.88
5. Olga Charvatova, Czechoslovakia, 49.30-49.71—1:39.01
6. Maria Rosa Quario, Italy, 49.36-49.72—1:39.08
7. Karin Buder, Austria, 51.20-47.91—1:39.11
8. Tamara McKinney, U.S., 50.26-49.26—1:39.42
9. Katia Lesiak, Yugoslavia, 50.92-48.77—1:39.69
10. Brigitte Oertli, Switzerland, 50.23-49.50—1:39.73

WOMEN'S OVERALL STANDINGS
1. Erika Hess, Switzerland, 152 points
2. Maria Walliser, Switzerland, 144
3. Vreni Schneider, Switzerland, 110
4. Michaela Gerg, West Germany 94
5. Marina Kiehl, West Germany 89
6. Michela Figini, Switzerland 81
7. Katrin Gutensohn, Austria 74
8. Brigitte Oertli, Switzerland, 69
9. Laurie Graham, Canada 60
10. Roswitha Steiner, Austria 50

MEN'S SLALOM
(At Berchetsgaden, West Germany)
1. Johann Wallner, Sweden, 1:43.96 (53.06, 50.90)
2. Bojan Krizaj, Yugoslavia, 1:44.05 (52.67, 51.38)
3. Daniel Mougel, France, 1:44.76 (53.29, 51.47)
4. Felix McGrath, U.S., 1:45.30 (53.24, 52.06)
5. Andreas Wenzel, Liechtenstein, 1:45.35 (53.22, 52.13)
6. Ingemar Stenmark, Sweden, 1:45.50 (53.58, 51.92)
7. Paul Frommelt, Liechtenstein, 1:45.52 (53.64, 51.88)
8. Guenther Mader, Austria, 1:45.82 (53.79, 52.03)
9. Klaus Heidegger, Austria, 1:45.96 (53.78, 52.18)
10. Marc Girardelli, Luxembourg, 1:46.05 (53.81, 52.24)

MEN'S OVERALL STANDINGS
1. Marc Girardelli, Luxembourg, 109 points
2. Peter Müller, Switzerland, and Peter Wirnsberger, Austria, 90
4. Bojan Krizaj, Yugoslavia, 75
5. Rok Petrovic, Yugoslavia, 68
6. Hubert Strolz, Austria, 66
7. Ingemar Stenmark, Sweden, 62
8. Joel Gaspoz, Switzerland, 61
9. Robert Erlacher, Italy, 60
10. Jonas Nilsson, Sweden, 57

Tournament Tennis

WORLD DOUBLES
(At London)
Semifinals
Paul Annacone, U.S., and Christo Van Rensburg, South Africa, def. John Lloyd, Britain, and Peter Fleming, U.S., 6-1, 6-2, 6-2.
Heinz Guenthardt, Switzerland, and Balazs Taroczy, Hungary, def. Ken Flach, U.S., and Robert Seguso, U.S., 7-5, 3-6, 6-3, 7-6 (7-3).
Final
Gunthardt and Taroczy def. Annacone and Van Rensburg 6-4, 1-6, 7-6 (7-2), 6-7 (6-8), 6-4.

MEN
(At Atlanta)
Semifinals
Ivan Lendl, Czechoslovakia, def. John McEnroe, U.S., 7-6, 6-3
Jimmy Connors, U.S., def. Stefan Edberg, Sweden, 6-3, 6-3

WOMEN
(At Washington)
Quarterfinals
Pam Shriver, U.S., def. Bonnie Gadusek, U.S., 7-6 (11-9), 7-6 (7-3).
Manuela Maleeva, Bulgaria, def. Helena Sukova, Czechoslovakia, 6-3, 6-4.
Martina Navratilova, U.S., def. Zina Garrison, U.S., 6-1, 6-2.
Claudia Kohde-Kilsch, West Germany, def. Bettina Bunge, Monaco, 6-4, 7-5.

LANGUAGE

Shades of Forgetting

By William Safire

WASHINGTON — Much can turn on the shadow of a meaning of the commonest of words.

In a New Orleans courtroom, with the governor of Louisiana on trial on charges of racketeering, the U. S. attorney cross-examined the accused. What about his failure to instruct his tax accountant to disclose a profit of $2 million, made between gubernatorial terms, on the sale of state certificates to build hospitals? "So you simply forgot!"

"I didn't *forget*," Governor Edwin Edwards replied, "because that implies a conscious attempt to remember." He said that the fact simply *did* not occur to him.

Does the verb *to forget* imply a conscious attempt to remember?

The etymology of the verb treats the mind as a million hands, each grasping a thought: to *forget* is "to lose one's hold" *on one* of those thoughts. In its earliest use, in King Alfred's 888 translation of Boethius's "Consolation of Philosophy," the transitive verb meant "to lose remembrance of," implying the act of remembering before losing hold of the thought.

In a millennium, a word can develop different senses, each with a distinct meaning. One sense of *forget* is "neglect," the intentional disregard *or omission of a thought; if* the forgetting had been willful, the governor may have committed a crime. That was one reason he rejected the word with such alacrity.

Another sense is "to fail to recall"; that, too, suggests some attempt to recall, and the governor was not about to admit any such thing. However, yet another sense is "to omit inadvertently," and in that meaning, *forget* would be an *innocent act* — as the governor said, it simply did not occur to him.

NOW that we have refreshed our recollection, let us turn to a term having to do with false memory: *déjà vu.*

"Legit Déjà Vu," headlines Variety: "Grosses Up, Volume Off." Anybody who is familiar with Broadway parlance has heard that before: The hits are making more than ever before, but overall attendance is down.

The essence of *déjà vu*, French for "already seen," is not that you have been there before, but that you have the illusion, a false sense that you have been there before. In psychology, the term entered English usage in the early 1900s, first appearing in Frederic W. H. Myers's "Human Personality," to describe a form of paramnesia, or false memory: The subject believes that a new experience is not really new but has been lived through before, sometimes because it has been seen in a dream.

That nice distinction has broken down; today, *déjà vu* means "passé" and is a staple of preppy talk.

The governor, by the way, was blessed with a hung jury, and thus is a free, if forgetful, man.

WHEN *political operatives of* the putative presidential candidate George Bush asked a poll taker for the Republican National Committee to frame a few questions their way, a spokesman for former Senator Howard H. Baker Jr. stormed that any expenditure over $5,000 by the Bush committee for polling would be a *slam-dunk violation* of federal election laws.

According to Tim Considine's "The Language of Sport," *slam-dunk* was coined by Chick Hearn, a Los Angeles broadcaster, and was first applied to the vigorous way the seven-footer Wilt Chamberlain leaped and stuffed a basketball *down through the rim. That* compound noun is now being used in general speech as a compound adjective whose meaning slops over "egregious" to "especially forceful" to "brutal."

The Bush people were only *piggybacking*, said defenders of the vice president. In pollster parlance, *piggybacking* meant that the Bush forces were paying to add a few questions to a poll about to go into the field.

Pick-a-pack or *pick-a-back* is the root, from the action of picking up a pack and pitching it on the back to be carried. Lately, the figure of speech has lent itself to descriptions of any supplementary load, now called an *add-on* rather than an addition.

Banks now seek *piggyback financing* to get around regulations *holding down the percentage that* may be lent on a mortgage, while sea and air transportation companies have been known to use *fishyback* and *birdyback.*

New York Times Service

Keith Haring: The Rich Young New York Artist as Pop Star

By Paula Span
Washington Post Service

NEW YORK — Keith Haring: 27, quiet, intense. Probably the hottest artist in New York. Assumed in art circles to be a millionaire, though a few years back was drawing welfare checks. Paints school buildings, Madonna's jacket, Grace Jones's body and the walls of major museums. Knows princesses, rock stars and 15-year-old graffiti artists from Avenue D. Signs autographs graciously. Plans to open a boutique this spring to sell T-shirts, refrigerator magnets and radios. Expects to be reviled for it. Doesn't care.

In downtown Manhattan, it is possible to talk about "third generation" East Village artists when Haring and his friends of the first generation are not yet 30.

"You don't communicate the same way you did 20 years ago, or 50," Haring insisted. "You can't just stay in your studio and paint; that's not the most effective way to communicate."

He was in a taxi headed uptown to paint the television studio set where two members of Duran Duran would be guests. Would this be the largest audience that had ever seen his work? No, he'd done a painting at the Live Aid concert in Philadelphia last summer, to be auctioned for famine relief.

"It's a whole different role," he said, emerging from the cab with plastic shopping bags of brushes, paint and Keith Haring buttons and T-shirts. "And I'm inventing the role as I go along."

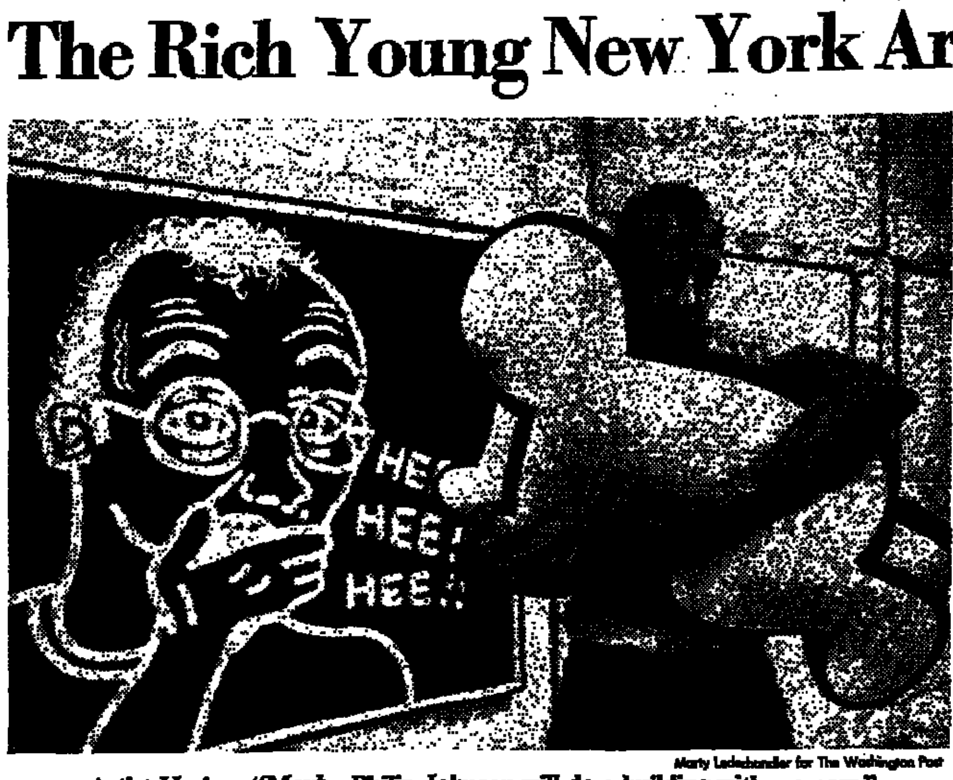
Normally a gallery opening entails inviting one's pals and the critics for cocktails, but when Haring had a twin opening last fall he expected 5,000 guests, so the festivities began at noon and wound up in the small hours with dinner for 500 and dancing for hundreds more at the Palladium nightclub. It wasn't quite as celebratory as the birthday party he throws for himself at the Palladium each May ("The first time Madonna sang 'Like a Virgin' in public was at my party"), but it came close.

"There's so much hype about art and success and money, so much illusion," Haring mused. He is spare and diffident-looking, with quizzical eyes behind round spectacles.

Haring works in a big studio on lower Broadway. The anteroom, filling with boxes of Haring-designed merchandise manufactured in Taiwan for his forthcoming Pop Shop, houses a secretary, an assistant and a wall full of black-and-white paintings, early ones that show his cast of characters — his "vocabulary," he calls it — developing. They are simple, cartoonish figures he learned to execute quickly at subway stops: the Radiant Child, the triangular-eared Barking Dog, spaceships, TV sets.

Haring's humans — faceless outlines of people drawn as an unusually deft child might — romp and struggle. They get fed into machines or emerge from them. They get blitzed by hovering spacecraft. They worship dogs on pedestals. The effect is sometimes whimsical and sometimes threatening, simple but skillful.

When thousands of such drawings began appearing in 1980, chalked on the black paper panels that cover unused advertising space on the subway platforms, people with trained eyes knew, they now say, that these were not the work of a vandal with a spray can. "There was an artistic quality, a maturity there that stood out," said Idelle Weber, an established SoHo painter. "I said to people I knew, 'That's no graffiti. It's too good.'"



Marty Lederhandler for The Washington Post

Artist Haring: "Maybe Philip Johnson will do a building with me now."

Sitting in the long loft where he paints (usually with a big radio thundering), Haring said he would be happy to talk about all this, but first there was the urgent matter of Public School 97. He did a schoolyard mural there last summer. Claes Oldenburg loved it. Andy Warhol came to the block party thrown at its completion, international art magazines photographed it. Now P. S. 97 had painted over it in gray. Haring wanted to find out why.

"The whole neighborhood was so into that painting," he fumed. "When I did the last stroke, people applauded. "I did do it without permission, it's true. The police didn't stop me, because when you're doing something on that scale they think you have permission, and if they like it they don't care. I know thousands of people that live" on the lettered avenues of the Lower East Side, where Haring annually adorns a school, a candy store, a vacant wall. "They're proud of it."

But, he acknowledged, "by putting yourself in public, it's the chance you take. In the subways, sometimes I do a drawing and come back on the train in the other direction two hours later and it's covered over by a new ad." He puts up new ones anyway, for "the same reason you show in galleries, or anywhere. The streets and subways were the fastest way to get to people. Now, because of my international stature" — he says this matter-of-factly — "I can use galleries also, but when I started it was hard to get through that channel."

He was new to the city then, a refugee from Kutztown, Pennsylvania, who had come to New York "to find my peers" after failing to find them during an impoverished six months in Pittsburgh. He had drawn all his life, taught by his father to invent "funny characters, funny stories, wild imaginings." He watched "The Jetsons" and "My Favorite Martian" on television ("really about *fantasy and imagination*"), *and wanted to be Walt* Disney or Dr. Seuss when he grew up.

But serious artists, he learned as a teen-ager, worked in abstraction. When Haring enrolled in Manhattan's School of Visual Arts, he was "just painting all the time, pseudo-Abstract-Expressionist things."

He fell in with a crowd of young East Villagers, made videotapes with Kenny Scharf and studied semiotics, the science of signs and symbols. "I wanted to do something that had a real relationship to the world, that people had to confront and deal with." Abstraction seemed "less and less relevant." Like others, he noticed the graffiti transforming the subways: "The best art in the city was on the trains."

He began drawing again, "these images, which little by little turned into an entire vocabulary. *Humans, flying saucers, energy from mythical* sources, power conflicts between people — reducing expression to simple images that could be read by anybody." Soon he began showing his work in hangouts like the Mudd Club and Club 57.

A consequence of fame was getting to meet his heroes: *William Burroughs, Oldenburg, Warhol.* Warhol is part mentor, part role model for Haring. "Andy, I learned so many things from him. He's one of the sweetest, kindest people in the world: I was so intimidated by him for so long."

Another consequence was being, like them, resented for one's gifts. "All people hear about is how much money I make. I hate having people hate me." Success has brought "a kind of guilt. You have to live up to it. I try to turn it around, to help people and give things." People in art circles say Haring spends a lot of time and money designing anti-nuclear posters, organizing benefit art shows, visiting elementary schools and strewing buttons and T-shirts in his path. But no amount of good works can shield him against the flak that hits an artist who has flown the garret.

He will take more, he knows, when the Pop Shop opens. He could defend the venture, he said, on the grounds that unauthorized "Keith Haring" designs are internationally available; if someone is going to popularize his symbols, it might as well be him. "I could make more money if I just made paintings and not all this other stuff," he insisted. "I wanna be Pop! It's part of the whole thing."

At the television studio, a producer led Haring to a set covered in white paper. Even the desk and chair were wrapped. Haring, scattering buttons and T-shirts along the way, went to the men's room to mix a cup of black paint. Later, a young camerawoman edged toward him and rather shyly said, "I just want to say you're one of my all-time favorite artists."

"Really? Thanks," Haring said politely. They chatted for a moment. She was apologetic: "I've never been a groupie." He offered her some buttons of Barking Dogs and Radiant Babies.

The gallery owner Leo Castelli, untroubled by the prospect of an artist with a boutique, recalls that Pop artists such as Roy Lichtenstein designed paper plates and wallpaper. He added, "I can hardly think of anybody that doesn't like" Haring's work. But in fact plenty of people dislike it and the boundary-blurring it represents.

Thomas Hoving, editor in chief at Connoisseur magazine, said, "If Keith Haring had been an artist at the caves of Lascaux, art would have stopped in its tracks."

Still, Haring can hardly complain about a hostile art establishment. Richard Marshall, associate curator of exhibits at the Whitney, found Haring's most recent paintings "more complex than the previous work, more powerful." It is indeed different, more disturbing, less joyful. In a picture that many people think is about acquired immune deficiency syndrome, his figures are suffering, surrounded by winged skulls, instead of dancing. A huge painting shows white hands strangling a black figure as blood pours from the globe.

Approval from the museum curators and critics matters to Haring. He wants to be Pop *and* "serious" because he wants big corporate commissions and his buttons in people's lapels. He wants to design playgrounds. He wants to follow the primitive artists who gouged their drawings into the earth, and make art near airports that can be seen only from the sky.

He was delighted, when an assistant brought in a respectful article from The New York Times, to see that it mentioned his interest in working with architecture. "Maybe Philip Johnson will do a building with me now," he said.

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